NATIONAL STORAGE

ANNUAL REPORT
2019/2020

Important Information

ABOUT THIS REPORT

Welcome to National Storage REIT's 2020 Annual Report which reports our performance for the financial year 1 July 2019 – 30 June 2020.

THE 2020 REPORTING SUITE INCLUDES:

Annual Report – a review of FY20 performance, strategy and governance.

Financial Report – FY20 financial accounts and detailed financial performance.

All of NSR's reporting is available online at www.nationalstorageinvest.com.au.

ENTITIES

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

National Storage Financial Services Limited (NSFL)
ACN 600 787 246 AFSL 475 228
Level 16, 1 Eagle Street, Brisbane QLD 4000

Sustainability Report – outlines NSR's approach to sustainability. The 2020 Sustainability Report will be released prior to National Storage REIT's AGM and will be available online at www.nationalstorageinvest.com.au at that time.

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 NSFL (ACN 600 787 246 AFSL 475 228) 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 NSFL, 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 NSFL as of the date of this report. Except as required by law or regulation (including the ASX Listing Rules) each of NSH and NSFL 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.

Contents

Our Business

National Storage is Australasia's largest self-storage provider, tailoring self-storage solutions to over 70,000 residential and commercial customers at 194 storage centres across Australia and New Zealand. National Storage REIT is the only publicly listed, pure play, fully integrated, owner and operator of self-storage centres in Australasia.

The National Storage offering spans self-storage, business storage, climate-controlled wine storage and trading, vehicle storage, vehicle and trailer hire, packaging supplies and insurance. In addition to the traditional self-storage offering, National Storage provides value-add services for businesses including receipt and dispatch, corporate account management, forklifts and pallet jacks, and versatile, adaptable spaces to suit customers' needs.

Each National Storage centre reflects our commitment to quality, convenience and service. At National Storage, you can expect secure, clean and modern premises and a team of professionals trained in the exacting task of providing efficient storage.

FY20 Performance

Financial Highlights

Total Revenue	$177.9m	FY19: $159.2m	↑ 12%
IFRS Profit	$121.8m	FY19: $144.8m	↓ 16%
Underying Earnings[1]	$67.7m	FY19: $62.4m	↑ 9%
Underlying Earnings per Stapled Security	8.3cps	FY19: 9.6cps	↓ 13.5%
Distribution per Stapled Security	8.1cps	FY19: 9.6cps	↓ 15.6%
Assets Under Management (AUM)	$2.28b	FY19: $1.95b	↑ 17%

Operational Highlights

Number of Centres (30 June 2020)	188	FY19: 169	↑ 19
Square Metres of Net Lettable Area	946,000	FY19: 887,000	↑ 59,000
Number of Storage Units	95,600	FY19: 88,900	↑ 6,700
Like-for-like Occupancy[2]	77.8%	FY19: 81.2%	↓ 3.4%
Like-for-like Revenue per Available Metre	$195m	FY19: $203m	↓ 4%
New Zealand Occupancy	84.7%	FY19: 85.7%	↓ 1%

Capital Strength

Total Asset Value	$2.64b	FY19: $2.39b	↑ 250m
Gearing	25%	FY19: 33%	↓ 8%
Weighted Average Debt Tenor	2.8	FY19: 4.0	↓ 1.2 years
Net Tangible Assets per Stapled Security	$1.65	FY19: $1.63	↑ 1%

[1] Underlying earnings is a non-IFRS measure (unaudited).

[2] Same centre 30 June 2018 (105 centres), excluding WIne Ark, New Zealand and developng centres.

NSR Strategy

FOUR PILLARS OF GROWTH

ORGANIC GROWTH

NSR achieves organic growth through a combination of occupancy and rate increases assessed on an individual centre basis

ACQUISITIONS

NSR has executed over 120 high-quality acquisitions since its IPO in 2013 – a growth rate unmatched in the Australasian market

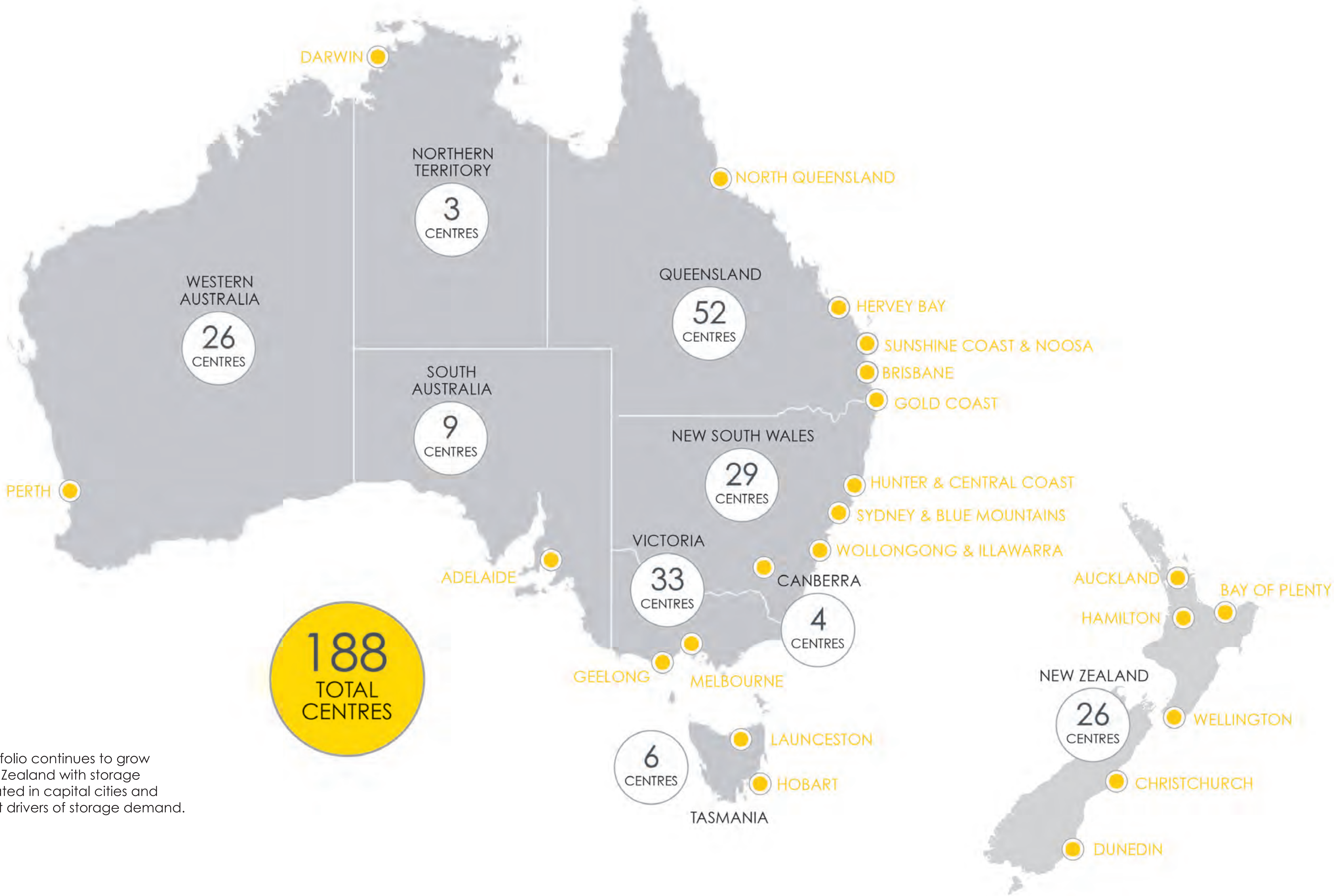
DEVELOPMENT AND EXPANSION

NSR has a highly developed and proven in-house expertise which enables it to identify, negotiate and deliver strategic development and expansion projects

TECHNOLOGY AND INNOVATION

NSR leads the Australasian storage industry with new technology and innovation projects providing an important competitive advantage over its peers

NSR Portfolio

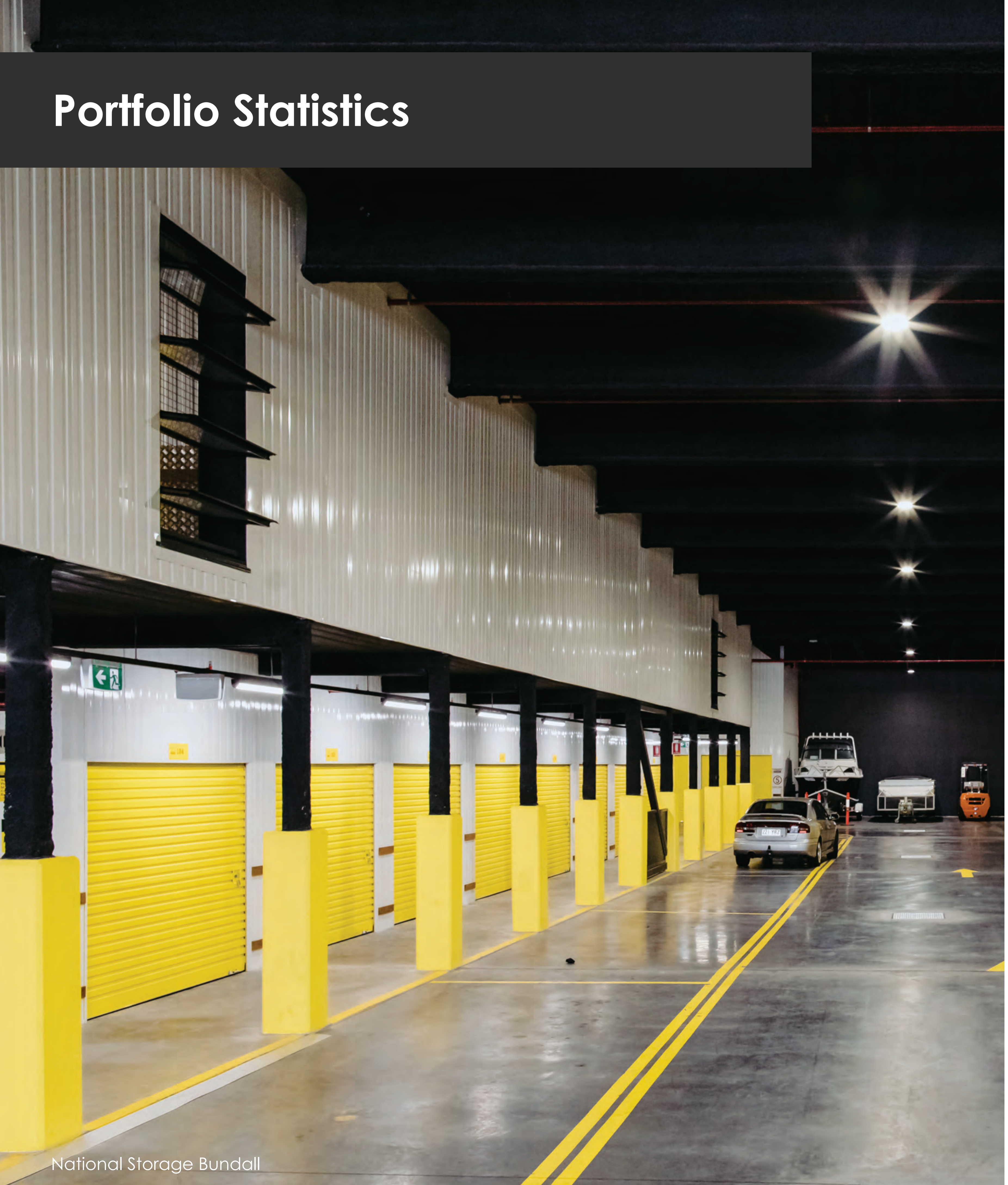


The National Storage portfolio continues to grow across Australia and New Zealand with storage centres conveniently located in capital cities and regional areas that exhibit drivers of storage demand.

As at 30 June 2020.

*Map not to scale.

Portfolio Statistics



National Storage Bundall

PORTFOLIO DIVERSIFICATION BY NLA

QLD	28%
NSW	14%
ACT	3%
VIC	18%
SA	6%
WA	14%
TAS	2%
NT	2%
NZ	13%

PORTFOLIO DIVERSIFICATION BY VALUE

QLD	27%
NSW	16%
ACT	4%
VIC	25%
SA	5%
WA	9%
TAS	2%
NT	1%
NZ	11%

PORTFOLIO BY NLA	JUNE 2020
North Queensland	45,000
Sunshine Coast / Noosa	28,700
Gold Coast	67,500
Brisbane	129,500
Sydney	88,700
Canberra	26,300
Melbourne	151,200
Geelong	12,100
Adelaide	52,300
Tasmania	17,300
Perth	139,100
Darwin	17,000
Wollongong	19,500
Central Coast (NSW)	28,500
TOTAL	822,700

PORTFOLIO BY NLA	JUNE 2020
Auckland	18,000
Hamilton	22,600
Wellington	34,900
Christchurch	18,600
Dunedin	17,800
Regional NZ	11,600
TOTAL	123,500

FY20 PORTFOLIO COMPOSITION	JUNE 2020
Freehold	170
Leasehold	14
Managed	2
Licensed	2
TOTAL	188

PORTFOLIO VALUATION

NSR Portfolio Vaue $2.28 billion
Weighted Average Primary Cap Rate 6.49%

Chairman & Managing Directors' Report

The 2019-2020 year has been, by any estimation, an extraordinary year for all of us - no less so for NSR.

Our company has faced, along with the rest of the world, many challenges, yet has continued to deliver highly beneficial outcomes for all stakeholders. We have focused on our core "Four Pillars" growth strategy - combining organic growth, acquisitions, development and expansion activity with a strong overriding focus on technology and innovation.

Over the last 12 months our results have continued the robust growth trajectory of previous years, growing revenue from $159 million to $178 million, with slightly reduced occupancy - despite some significant operating constraints as a result of the COVID-19 pandemic. Pleasingly, occupancy has rebounded strongly post the first wave of COVID-19 and this growth has continued through July and early August 2020. The strong performance of our business through the COVID-19 pandemic further demonstrates the resilience of self-storage as an asset class and the proactive capability of the NSR team in responding quickly and effectively to such challenges.

NSR delivered total shareholder return for FY20 of 10.1%, one of the best results of any A-REIT over the last 12 months, and 43.9% for the 3 years to 30 June 2020.

Operationally, our team has remained united, relentless and strong in the face of numerous challenges, including recent highly publicised M&A activity involving NSR, and the COVID-19 restrictions which impacted all major markets in which NSR operates. Our centre staff and head office teams have performed admirably over this period with all 188+ centres across Australia and New Zealand remaining open and operational. NSR has not requested or received any JobKeeper support and has maintained full staffing and wage rates across the organisation. Our staff, including centre, head office and Senior Executive, have voluntarily taken one day of annual leave per week throughout the pandemic and thus made a significant contribution to support their company at this difficult time. This has ensured that any larger scale stand-downs or redundancies have not been required across the organisation, preserving the employment of approximately 500 people across Australia and New Zealand.

We have learnt to operate remotely using technology to maintain our strong collaborative team-based approach across different centres and regions, as well as with our head office support team.

Our contact centre team has not only maintained their performance targets over this period but improved their conversion rates. This enabled us to mitigate any occupancy losses during the worst of the pandemic and then quickly return to positive occupancy growth.

We rapidly implemented a contact-free move-in process, allowing customers to book a storage unit, e-sign their agreements and move in without any direct physical staff contact. This has proven to be extremely successful and very popular with many customers moving in over the COVID-19 period and beyond. Likewise, our new online box shop with boxes and packaging ordered online and delivered to your door has significantly increased packaging sales over recent months.

Our acquisition activity has continued at pace, with 22 acquisitions totalling $218 million executed and integrated into the NSR portfolio over the last 12 months. In addition, we have settled $134 million of new acquisitions since 1 July 2020 and have a further $100 million currently under active negotiation. We have entered promising new markets and expanded our coverage in Melbourne and Sydney as well as consolidated our position as Australia and New Zealand's leading provider of tailored self-storage solutions.

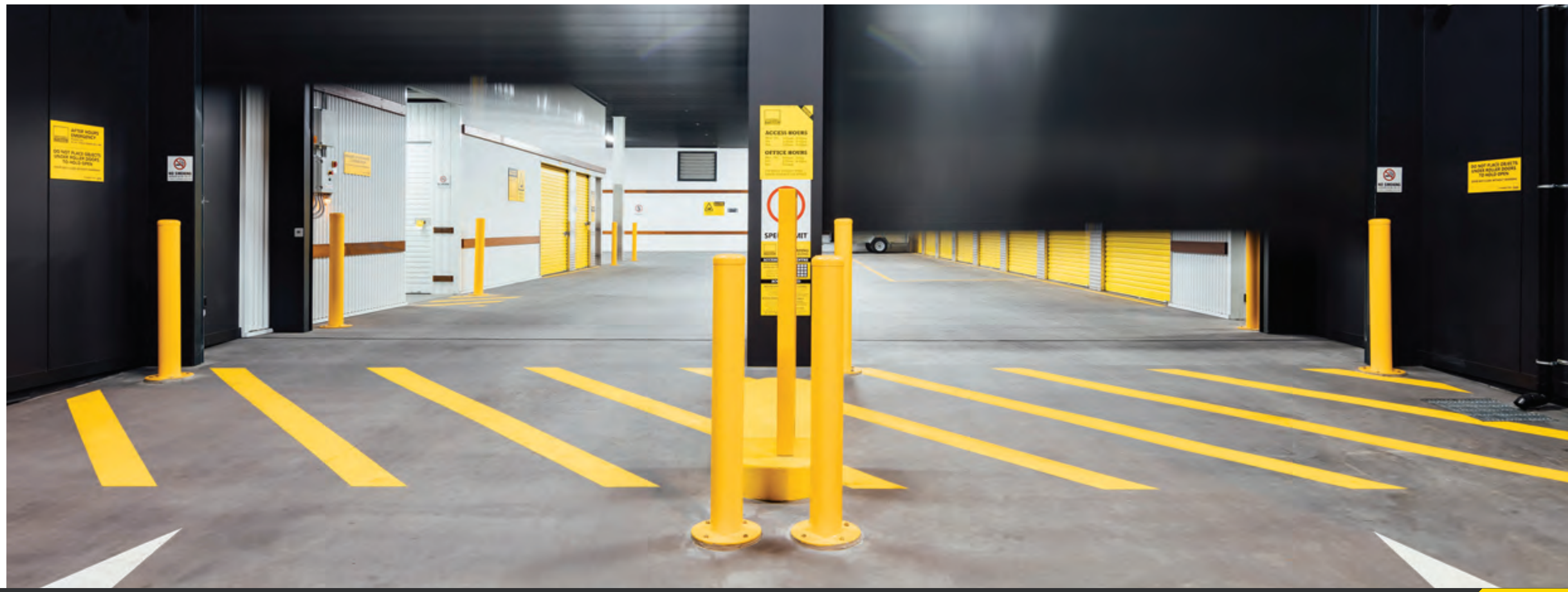
From a development and expansion perspective, NSR has 15 projects ranging from concept, to nearing completion. Our commitment to industry leading technology means that we are adopting the latest in high tech innovations into new buildings including our Bluetooth Smart Access keyless entry system recently launched at our new Robina centre on the Gold Coast. Our delivery methodology continues to include on-balance sheet development and expansion projects, joint ventures, turnkey and build-to-own arrangements. FY20 delivered 5 new projects, on time and on budget and this is a testament to our accomplished development team.

NSR's continuing focus on harnessing technology and innovation to assist its business has been critical to our success over the last 12 months. The ability to react quickly to the challenges of COVID-19 and facilitate our staff working remotely, including operating from three decentralised contact centre locations, was pivotal in mitigating risks associated with COVID-19. NSR's new website, together with other significant improvements to our technology strategy, has further enhanced the robust nature of our operating platform which supports our continued growth into the future.

The achievement of the 2020 Canstar Blue Award for Australia's most satisfied self-storage customers is a testament to NSR's commitment to excellence in customer service and the provision of best value storage solutions across Australia.

Our commitment to quality ESG outcomes continues with solar PV systems now installed at over 120 centres. Phase 2 of this program is embracing other energy efficient initiatives including LED lighting and an expanded solar foot-print. This program will result in further operational efficiencies minimising NSR's environmental impact.

During the year we continued to evolve the suite of employee benefit offerings to NSR employees, including a parental leave program which considerably exceeds the statutory allowance provided by the Federal Government.



National Storage Robina

From a capital management perspective NSR is in a strong position, having recently raised approximately $348 million by way of an institutional placement and up-scaled security purchase plan. This has reset NSR's balance sheet and fortified our financial position during these uncertain times. We are well advanced in deploying this capital into income producing core storage investments across a number of acquisition opportunities and development projects.

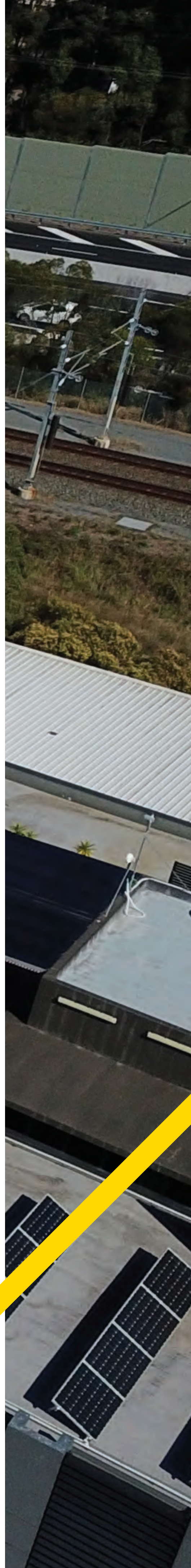
We would like to formally acknowledge the strong guidance provided by our independent directors and executive management team during this most challenging year. We would also like to express our gratitude to our staff, securityholders and other stakeholders for their ongoing support without which the above achievements would not have been possible.

Laurence Brindle

Independent Non-Executive Chairman

Andrew Catsoulis

Managing Director



Investment Partners

National Storage continues to work with its current investment partners, and engage with a number of new investment partners, to assess options for future acquisition, development and redevelopment opportunities.

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. This venture continues to reinforce the National Storage brand as a prominent player in the Perth market. Various sites in and around Perth have been identified as part of the arrangement, whereby Parsons Group constructs quality self-storage centres branded as National Storage. The arrangement will see some centres acquired by National Storage on completion, and others managed by Parsons Group under the guidelines of the National Storage operating platform. The partnership to date has delivered multiple centres with Fremantle, Martin and Port Kennedy added to the NSR portfolio over the last year. The Frances Bay and Kelmscott centres are owned by Parsons Group and managed by National Storage. Additional centres are under construction at East Perth and Byford. Other sites are currently in due diligence and planning stages. National Storage retains certain rights to purchase the assets under this arrangement.

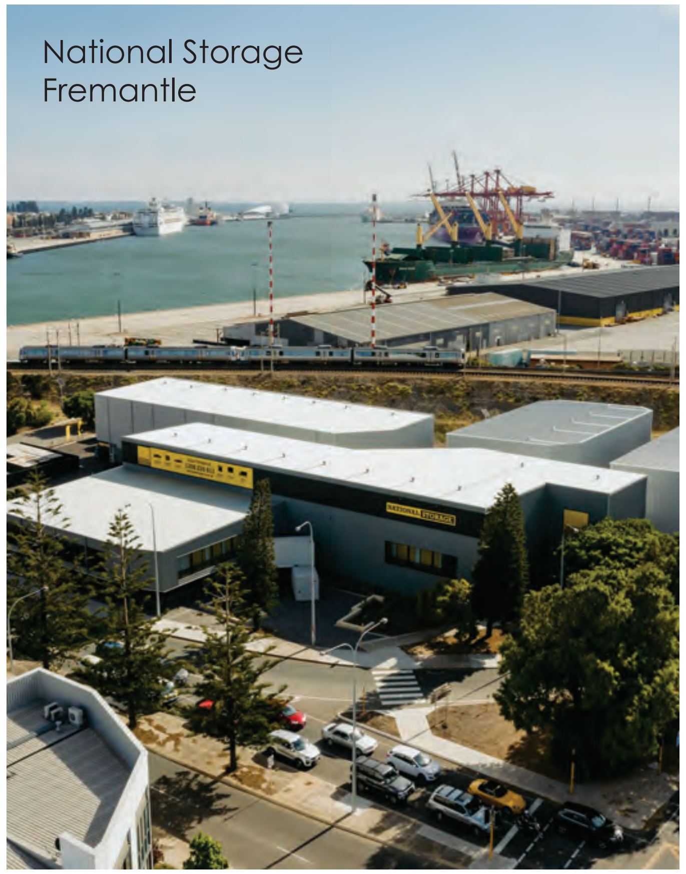
BRYAN FAMILY GROUP

(BFG, formerly known as Leyshon)

National Storage and BFG are currently jointly developing the site at Biggera Waters on the Gold Coast with completion due in the first half of FY21. National Storage and BFG extended their partnership in FY20 to jointly acquire and develop a site at Moorooka in Brisbane on which a high-quality storage centre and service station will be developed in FY21.

SPACER

National Storage has been an investor in Spacer since 2017. Spacer.com.au is Australia's premier peer-to-peer marketplace for self-storage, leveraging existing infrastructure and assets by linking hosts (people with space) with renters (people who need space). Parkhound is a Spacer company and is the #1 parking marketplace and app in Australia, helping both local residents who have unused parking spaces, and commercial property and carpark operators increase utilisation whilst saving consumers time and money. National Storage strives to be a leader in industry evolution with its digital transformation and saw an opportunity in partnering with Spacer given the rapid growth of the sharing economy. The investment was a strategic decision to stay ahead of any impacts of disruption and technology on the storage industry.



National Storage Fremantle

National Storage Fremantle

The Year in Review

National Storage Robina

ASSET MANAGEMENT

The past year has seen a continued focus on our active revenue management platform with a changeover to a new software program and provider. The new program is predominantly automated and uses artificial intelligence in a predictive modelling capacity. The continued refinement of our advanced revenue management modelling system, together with a storage-specific data analytics platform continues to deliver efficiencies and enhance scalability across the operating platform. With our operational state structure in place, significant improvements were made through efficiency programs and the rollout of a new revenue training package to all centre and contact centre staff. Conversion rates across all channels increased this year due to improved data analysis and stronger operational leadership. As the portfolio continues to grow, the NSR operating model will continue to evolve in order to meet the challenges of trading environments, and to optimise operating performance through automation and efficiency programs. Our ongoing strategic partnerships with ParcelPoint and Hubbed, Australia's largest network of locations for parcel collection, and U-Haul, a leading national trailer rental provider, continue to drive foot traffic and generate awareness of centres in local areas.

This year, we introduced a number of bulk buys in our packaging range and revenue in this area has been growing year-on-year. Other ancillary income streams including insurance and vehicle/trailer hire continued to increase across the year and deliver important additional revenue to the model. The operations management team maintain a focus on driving Revenue per Available Square Metre (REVPAM) using a balanced approach to rate per square metre and occupancy growth on an individual centre and unit type basis. At 30 June 2020, REVPAM across the Australian portfolio on a like-for-like basis (105 owned centres at June 2018, excluding developing centres) was $195/sqm (June 2019: $203/sqm). Occupancy across the portfolio on a like-for-like basis decreased slightly to 77.8% (June 2019: 81.2%).

ACQUISITIONS

National Storage has successfully transacted 20 acquisitions and 2 development sites in FY20 and continues to pursue high-quality acquisitions across Australia and New Zealand. 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. This active growth strategy also strengthens and scales the National Storage operating platform which drives efficiencies across the business.

REGION	NUMBER OF CENTRES	TOTAL NLA (SQM)
Brisbane	2	11,900
Gold Coast	2	4,100
Sunshine Coast / Noosa	1	5,700
Melbourne	6	22,600
Sydney	3	7,800
Perth	3	16,200
Launceston	2	4,900
Wellington (NZ)	1	4,700
TOTAL ACQUISITIONS	20	77,900

WINE ARK

Wine Ark, Australia's largest wine storage provider is part of the National Storage group and houses over two million bottles of fine wine across 15 centres for clients located in over 30 countries. There are few businesses in Australia with more experience when it comes to storing and managing premium wine. Throughout FY20 Wine Ark continued to strengthen its relationship and involvement in the greater wine trade supporting the Wine Communicators of Australia, Sommeliers Association of Australia, Wine Australia and Commanderie de Bordeaux (Australian Chapter).

MARKETING AND CUSTOMER EXPERIENCE

Growing awareness, engagement and conversion were once again key drivers of the marketing strategy during the year. National Storage has committed to investing in a new digital presence in order to create a fresh, clean and simple customer experience with a focus on ensuring that our e-commerce offering is in line with industry best practice. The importance of delivering an engaging and user-friendly online experience has seen the business invest in the development of a new website. The launch commenced in December 2019, enabling customers to book and pay across all device types. We have since seen improved online conversion rates and continue to user test the new site and make changes to ensure an industry best online user experience. This year we moved away from external digital agencies, and are now managing our paid search, search engine optimisation (SEO) and sponsorship campaigns internally. We employ an in-house digital marketing team and have seen significant improvements across all digital platforms in enquiry and conversion numbers. The improved results combined with detailed analysis on customer behaviour assist our decision-making process across all revenue streams. Our improved social media and public relations strategy has significantly increased online engagement. Our sponsorship portfolio also continues to be an important focus, driving above the line brand awareness and differentiation in both Australia and New Zealand. As a result of the integration of our new Customer Relationship Management (CRM) tool, we have commenced regular Electronic Direct Mail (eDM) communication with our customer databases, promoting retail campaigns and packaging sales, along with important customer updates.

SUSTAINABILITY

This year will see the release of National Storage's fourth stand-alone sustainability report. The report is expected to be released by early October 2020, prior to National Storage's AGM and will be published online at www.nationalstorageinvest.com.au. The report will detail National Storage's performance across environmental, social and governance aspects of the organisation as well as our overall vision and strategy. This will ensure that we set realistic and achievable goals and appropriate sustainability targets in the short, medium and long-term.

Board of 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 where he graduated with distinction. 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 is also currently the Non-Executive Chairman of the listed entity, Waypoint REIT. Laurence serves on the Audit and Risk Committees and is Chairman of the Nomination and Remuneration Committees

Howard Brenchley

Independent Non-Executive Director
BEc

Howard has over 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. He is now a professional company director and consultant to the property funds industry. 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 instrumental in establishing the funds management business of 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 ASX listed APN Industria REIT (ADI) and APN Convenience Retail REIT (AQR). Until July 2017, APN Funds Management Limited was also responsible entity for Generation Healthcare REIT (GHC). Howard is a member of the Audit and Risk Committees.

Anthony Keane

Independent Non-Executive Director
BSc (Maths) GradDipCorpFin

Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non-Executive Director and Advisory Board roles, and finance advisory consultancies. He is a Director of Queensland Symphony Orchestra Pty Ltd and EMvision Medical Devices Ltd. 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. Anthony acts as Chairman of the Audit and Risk Committees and is a member of the Nomination and Remuneration Committees.

Steven Leigh

Independent Non-Executive Director
Grad Dip Proj Mgmt

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and 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 was responsible for the group's $20bn plus property portfolio. Steven is a Non-Executive Director of ASX-listed company, Scentre Group Limited, is a founding member of Male Champions of Change established by the Property Council of Australia and he has qualifications in real estate valuation and project management. Steven is a member of the Remuneration and Nomination Committees.

Board of Directors / Executives

Andrew Catsoulis

Managing Director
BA LLB Grad Dip Project Mgmt (Hons)

A founder of the National Storage business, Andrew has over 25 years' of specific self-storage industry expertise including in the areas of acquisitions, developments, integration and operation of 'greenfield' and developed self-storage centres. Andrew is a qualified solicitor 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. Andrew was instrumental in the successful acquisition and integration of the original pre-existing Group portfolio and led the Company through the IPO and planned and negotiated the acquisition of the Southern Cross portfolio in 2016. He has led the company in its growth from a single centre in 1996 to over 190 centres today and has been primarily responsible for charting its strategy over that period.

Claire Fidler

Executive Director & Company Secretary
LLB (Hons) BBus (Intl) GAICD FGIA

Claire was appointed an Executive Director in July 2017 and has been the principal Company Secretary of National Storage since November 2015. She was appointed Head of Legal & Governance in June 2020 and now oversees the legal, governance and risk functions of the organisation. Claire holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has twenty years' experience in corporate and commercial law, both in private practise and in-house. She practiced in the litigation, resources and corporate areas of two large law firms and as Corporate Counsel and Company Secretary at Rio Tinto Coal Australia, prior to joining National Storage. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia and is a Non-Executive Director of Spacer Marketplaces Pty Limited.

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.

Corporate Governance

The National Storage Boards are responsible for ensuring that the organisation has an appropriate corporate governance framework in place to protect and enhance the entity's performance and build sustainable value for securityholders. The corporate governance framework is based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. More information is provided in NSR's 2020 Corporate Governance Statement, which can be found online at www.nationalstorageinvest.com.au.

Directors' Report

KEY HIGHLIGHTS

Group	FY20	FY19	Change
Total Revenue	$177.9m	$159.2m	12% ▲
IFRS profit after tax	$121.8m	$144.8m	(16%) ▼
Earnings per stapled security	14.67cps	21.59cps	(32%) ▼
Underlying earnings[1]	$67.7m	$62.4m	9% ▲
Underlying earnings per stapled security[1]	8.3cps	9.6cps	(13.5%) ▼
Net operating cashflow	$89.5m	$93.3m	(4%) ▼
Distribution per security	8.1cps	9.6cps	(15.6%) ▼

Portfolio	At June 2020	At June 2019	Change
Number of Centres owned/managed & licenced (Total)	184/4 (188)	163/6 (169)	21(2) (19) ▲
Australian occupancy [2]	77.8%	81.2%	(3.4%) ▼
New Zealand occupancy	84.7%	85.7%	(1.0%) ▼
Like for like Revenue per available metre (REVPAM) [2]	$195	$203	(4.0%) ▼
Weighted Average Primary Cap Rate	6.49%	6.85%	(0.36%) ▼
Assets Under Management (AUM) [3]	$2.28b	$1.95b	17% ▲
Portfolio Valuation Uplift	$67m	$136m	(51%) ▼
Acquisitions / Centres[4,5]	$204m/20	$358m/35	($154m)/(15) ▼
NLA (sqm)	946,000	887,000	7% ▲

Balance Sheet	At June 2020	At June 2019	Change
Total Assets[5]	$2.64b	$2.39b	10% ▲
Debt drawn[5]	$681m	$848m	($167m) ▼
Interest Rate Hedges[5]	$507m	$470m	$37m ▲
Gearing	25%	33%	(8%) ▼
Weighted average cost of debt	1.9%	3.1%	(1.2%) ▼
Weighted average debt tenor (years)	2.8	4.0	(1.2) ▼
NTA	$1.65	$1.63	1.2% ▲

PRINCIPAL ACTIVITIES

NSR is the first and only internally managed and fully integrated owner and operator of self-storage centres to be listed on the ASX. NSR is the largest self-storage owner/operator across Australia and New Zealand, with 194 self-storage centres under operation, management or licence, tailoring storage to over 70,000 customers.

NSR has grown its portfolio of owned, managed and licenced centres from 62 centres in December 2013 to 194 centres at the date of this Directors' Report, with additional centres expected to settle in the coming months. NSR now manages approximately 95,000 storage units across approximately 950,000 square metres of net lettable area in Australia and New Zealand. Assets Under Management (AUM) have increased by 17% during the Reporting Period to $2.28 billion as at 30 June 2020.

Of the 194 self-storage properties in the NSR portfolio at the date of this report, ownership is as follows:

- 176 self-storage centres owned by NSPT
- 14 self-storage centres operated as long-term leasehold centres (Leasehold Centres)
- 2 third party managed centres
- 2 licenced branding rights centres in New Zealand

NSR operates a focused business model encompassing a "Four Pillar" growth strategy, focussing on Organic Growth, Acquisitions, Development and Expansion with an overarching focus on Technology and Innovation.

1 Underlying earnings is a non-IFRS measure (unaudited), see table within Operating Results for reconciliation
2 Same centre 30 June 2018 (105 centres), excluding WineArk, New Zealand and developing centres
3 Investment properties (including Assets held for sale) net of finance lease liability
4 Excluding transaction costs
5 NZD/AUD exchange rate of 1.07

BUSINESS 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 (including the acquisition, development or redevelopment and portfolio recycling of self-storage centres).

The key drivers of the business are:

- Organic Growth - NSR achieves organic growth through a combination of occupancy and rate increases assessed on an individual centre basis
- Acquisitions - NSR has executed over 120 high-quality acquisitions since its IPO in 2013 – a growth rate unmatched in the Australasian market
- Development and Expansion - NSR has a highly developed and proven inhouse expertise which enables it to identify, negotiate and deliver strategic development and expansion projects in an efficient and effective manner
- Technology and Innovation - NSR leads the Australasian storage industry with new technology and innovation projects designed to improve operational efficiency and enhance the customer and employee experience, providing an important competitive advantage over its peers

Further details on these key business drivers can be found elsewhere in the NSR 2020 Annual Report.

REVIEW AND RESULTS OF OPERATIONS

The Financial Statements of NSR are prepared in compliance with Australian Accounting Standards and the requirements of the *Corporations Act 2001* (Cth).

OPERATING RESULTS

IFRS Profit after tax for the Reporting Period was $121.8 million with EPS of 14.67 cents. Underlying earnings[6], increased by 9% to $67.7 million. Underlying earnings[6] per stapled security was 8.3cps for the 2020 financial year and was impacted by: delays in joint venture development income as a result of the takeover activity in the three months up to COVID-19; and then COVID-19, which also impacted on short term operational results. The impact on operations was relatively minor and manifested through a drop in total occupancy (including Let-up centres) of approximately 2.5%, which has been recouped as at the date of this Report with total occupancy increasing 2.7% since 1 July 2020.

$m	FY20	FY19
IFRS Profit after tax	$121.8	$144.8
Plus tax expense/(benefit)	($2.3)	$0.3
Plus restructure and other non-recurring costs	$3.7	$1.5
Plus contracted gain in respect of sale of investment property	$3.0	$3.9
Plus amortisation of interest rate swap reset	$7.8	$0.1
Less fair value adjustment	($63.0)	($84.7)
Less lease diminution on leasehold investment properties	($3.3)	($3.5)
Underlying Earnings[6]	**$67.7**	**$62.4**
Weighted average securities on issue (refer Note 19)	815,973,324	650,319,184
Underlying earnings per stapled security[6]	**8.3cps**	**9.6cps**

Total revenue increased by 12% to $177.9 million. Occupancy across the June 2018 portfolio (excluding New Zealand and developing centres) suffered as a result of COVID-19 and decreased to 77.8%, down from 81.2% at 30 June 2019. New Zealand occupancy was also impacted by COVID-19 and decreased to 84.7%, down from 85.7% at 30 June 2020. This was offset by strong occupancy growth in the Let-Up centres (those recently built or expanded) resulting in total occupancy reducing by 2.5%.

These results demonstrate the highly resilient nature of self-storage as an asset class and are a testament to the proactive response provided by NSR's management team, which limited the impact of losses related to the COVID-19 pandemic. Given the challenging economic conditions that have been experienced by many of its residential and businesses customers during COVID-19, it is encouraging to see that NSR's portfolio has quickly returned to positive occupancy growth in June, July and August, recovering a large percentage of the occupancy that was lost during the initial COVID-19 lockdown. Same centre revenue per available metre (REVPAM) decreased to $195/sqm from $203/sqm at June 2019 driven by the loss in occupancy due to COVID-19. Rate remained strong at $252/sqm, a slight reduction from $254/sqm at June 2019. The COVID-19 situation remains unpredictable and NSR will continue to monitor the situation closely and is well positioned to respond quickly and effectively to any ongoing impacts on operating performance.

6 Underlying earnings is a non-IFRS measure (unaudited)

CASH MANAGEMENT

Cash and cash equivalents as at 30 June 2020 were $90.4 million compared to $178.8 million at 30 June 2019, which included cash raised by the capital raise undertaken on 26 June 2019 prior to the repayment of debt facilities. Subsequent to 30 June 2020 the majority of the cash balance has been utilised to facilitate further acquisitions and provisioned for payment of the distribution on 7 September 2020. Net operating cashflow for the year was $89.5 million (2019: $93.3 million).

During the year NSR successfully completed a capital raising of approximately $348 million by way of an institutional placement and a Security Purchase Plan. The purpose of the equity raising was to strengthen the balance sheet, replenish investment capacity and provide additional funding flexibility to ensure the organisation had certainty of funding beyond the expected period of volatility as a result of the COVID-19 pandemic. NSR took advantage of the Temporary Extra Placement Capacity of 25% implemented under ASX Listing Rule 18.1.

An interim distribution of 4.7 cents per stapled security ($37.0 million)] was paid on 28 February 2020 with an estimated final distribution of 3.4 cents per stapled security ($34.4 million) declared on 16 June 2020 with a payment date of 7 September 2020, totalling a full year distribution of 8.1 cents per stapled security, against underlying earnings[6] per security of 8.3 cents.

During the Reporting Period NSR once again offered a Distribution Reinvestment Plan (DRP) which enables eligible securityholders to receive part or all of their distribution by way of securities rather than cash.

For the December 2019 interim distribution approximately 22% of eligible securityholders (by number of securities) elected to receive their distributions as securities totalling approximately $8.1 million. The DRP price was set at $2.1377 which resulted in 3,809,728 new securities being issued.

The June 2020 final distribution has seen approximately 21% of eligible securityholders (by number of securities) elect to receive their distributions as securities totalling approximately $7.1 million. The DRP price was set at $1.7945 which resulted in approximately 4,000,000 new securities being issued.

NSR's finance facilities are structured on a "Club" arrangement involving the four major Australian banks and a major Australian superannuation fund. During the year NSR introduced JP Morgan into the banking group to increase the available banking limits and enhance the diversity of the funding group. JP Morgan have committed a $100 million facility which is currently in the process of having a number of conditions precedent to drawdown satisfied. The Consolidated Group's borrowing facilities are AUD $930 million and NZD $227 million. As at the Reporting Date AUD equivalent of approximately $461 million was undrawn and available. NSR actively manages its debt facilities and continues to increase these when and where required to ensure that NSR has adequate capacity for future acquisitions and working capital requirements. NSR's weighted average debt tenor as at the Reporting Date is 2.8 years, a reduction from 4.0 years as at 30 June 2019. Debt refinancing activities were paused through the M&A activities and COVID-19 and have recommenced with the aim of extending NSR's debt tenor beyond 4 years. NSR's gearing level at 30 June 2020 was 25% against target gearing range of 25% - 40%, providing flexibility and the ability to act expeditiously on acquisition opportunities as they arise.

NSR maintains interest rate hedges in accordance with NSR's hedging policy. This hedging policy is reviewed on a regular basis. Additional interest rate hedges were entered into during the year to continue the prudent management of NSR's interest rate risks. Following the equity raising undertaken in May 2020 NSR took advantage of the low interest rate environment and reset its Australian and New Zealand swap book. The cost of the reset was $14.3 million with the average swap rate reduced by approximately 0.4%. As at the Reporting Date interest rate hedges totalling A$507 million were in place with expiry dates ranging from 0.25 years to 6.25 years.

ACQUISITIONS AND INVESTMENTS

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

- location and surrounding demographics of local catchment area;
- competition and potential for future competition within the primary (3km) and secondary (5km) competitive radial areas;
- exposure to passing traffic – typically a minimum of 30,000 cars per day targeted;
- build quality and opportunities for value adding such as expansion potential, surplus land, occupancy runway or potential for rate per square metre improvement; and

- proximity to major drivers of storage demand such as retirement villages, new housing development and / or medium density apartment or townhouse developments and major shopping centres.

The year ended 30 June 2020 was impacted by the takeover activity as well as COVID-19. Despite these challenges NSR continued with the execution of its focused acquisition strategy with a resultant 20 new centres and 2 development sites acquired during the Reporting period, totalling approximately $220 million. Since Reporting Date to the date of this Directors' Report a further seven centres valued at $134 million have settled with one additional centre valued at $5 million expected to settle by the end of September 2020.

NSR re-values all assets each Reporting Period through a combined process undertaken by both external valuers and the Directors valuations, based on valuations and methodologies from independent valuers (m3 Property and Urbis). During this process the weighted average primary capitalisation rate reduced 36 basis points to 6.49% and the value of the 30 June 2019 portfolio increased by $67 million or 3.5%. This is despite the valuation process being undertaken at the height of the COVID-19 crisis and this timing negatively impacting on 30 June 2020 valuations. However, the said impact was relatively minor and trading conditions have improved considerably since the time that the valuations were completed, with a resultant improvement in valuations expected to be experienced in the current period (subject to any further unforeseen impacts from the COVID-19 pandemic).

Acquisitions for the Year Ended 30 June 2020

Region	Number of Centres	NLA (Sqm)
Brisbane	2	11,900
Gold Coast	2	4,100
Sunshine Coast	1	5,700
Sydney	3	7,800
Melbourne	6	22,600
Perth	3	16,200
Launceston	2	4,900
Wellington (NZ)	1	4,700
Total	**20**	**77,900**

INVESTMENT IN JOINT VENTURES AND ASSOCIATES

NSR was a cornerstone investor in the Australia Prime Storage Fund (APSF) with an equity interest of 24.9%. APSF was established to facilitate the development and ownership of premium self-storage centres in select major cities around Australia over the life of the fund. APSF focused its activity in inner city markets where there has been demand for a premium storage product, developing new institutional grade assets with state-of-the-art facilities and freehold tenure.

In July 2019 NSR contracted with APSF to purchase the remaining three assets in the fund (Albion, Kelvin Grove and Canterbury) for $64 million, which were subsequently settled. Following the sale of the last centre the fund was wound up.

In June 2019, NSR with Bryan Family Group ("BFG") acquired a combined commercial and self-storage development site at Biggera Waters on the Gold Coast. Construction of a multi-level, state-of-the-art self-storage facility has commenced and construction is expected to be completed in late (calendar year) 2020.

NSR has been appointed to manage the Biggera Waters project and will generate income from its provision of a range of services including design and development, project management and corporate administration.

LIKELY DEVELOPMENTS

NSR continues to utilise its position as Australia's first and only ASX listed, pure play, fully integrated, sector specific, self-storage REIT to continue to execute its stated "Four Pillars" strategy. This embodies:

- organic growth through increases in rate and occupancy at an individual centre level;
- growth by acquisition of quality storage centres across Australia and New Zealand;
- development and expansion activity focused on high quality new self-storage developments in key locations and evaluating its existing portfolio for expansion, development or re-development opportunities, while continuing to explore portfolio recycling opportunities; and
- technology and innovation – harnessing new technology and innovation to bring further efficiencies and economies of scale to NSR's existing business model.

DIVIDENDS AND DISTRIBUTIONS

NSR has paid or declared distributions totalling 8.1 cents per stapled security for the Reporting Period, comprising:

- An estimated final distribution of 3.4 cents per stapled security for the 6 months to 30 June 2020. The distribution is expected to be paid on 7 September 2020 and is expected to contain a tax deferred component.
- An interim distribution of 4.7 cents per stapled security for the period 1 July 2019 to 31 December 2019 which was paid on 28 February 2020 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

NSR's operations are not regulated by any environmental law of the Commonwealth or a State or Territory that is enacted specifically for NSR. However, as part of its operations, 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.

ENVIRONMENTAL, ECONOMIC AND OTHER SUSTAINABILITY RISKS

NSR recognises that its operating activities and strategic goal of delivering securityholder growth and returns expose it to potential risks. NSR management takes a pro-active approach to risk management/elimination and recognises the importance of a strong risk culture which is instilled and lead by the Board and the senior executive team so as to form a core tenet of the organisation.

Risk is managed centrally to minimise potential adverse effects on the financial performance of NSR and protect long-term securityholder value, and its broader corporate reputation. A copy of NSR's Risk Management Policy can be found at www.nationalstorageinvest.com.au.

The Head of Legal & Governance is responsible for management of NSR's risk function and in turn reports to the Managing Director and the Risk Committee. The Risk Committee is charged with risk oversight and reports to the full Board. The full Board is then actively involved in the ultimate review of and determination of risk to within sensible tolerances.

Potential risks faced by NSR include but are not limited to:

RISK
Strategic Risk - Poor development and or execution of business strategy by the executive management team can lead to the risk of loss and or poor performance. To mitigate this risk, strategies are developed by the relevant responsible executive or senior officer. These are then reviewed and discussed, as appropriate, by other executive officers and approved by the Managing Director. Strategic decisions of a significant nature are further put before the Board and discussed in detail and require Board approval. The senior executive team meets a number of times each year to discuss strategy and ensure that it remains current and appropriate. This allows management to ensure it is employing strategies that are updated for changes in the operating environment of the business.
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. NSR mitigates the potential

RISK
impacts of fluctuating economic conditions by seeking to maintain a strong and conservative balance sheet and financial position.
Operational Risk - Risk of loss due to its overall operations and management of other risks exists as a function of any operating business. NSR aims to ensure that the necessary processes, training and supervision are in place and effected to eliminate such loss wherever possible. The risk of loss from system failures is reduced through system backups and disaster recovery (contingency) procedures, which aim to ensure the maintenance of NSR's critical data availability.
General commercial property risks - Risks commonly associated with commercial property investment apply equally to NSR, including levels of occupancy, capital expenditure requirements, development and refurbishment risk, environmental and compliance issues, changes to government and planning regulations, including zoning and damage caused by flood or other extreme weather (to the extent that it is not or could not be insured against). NSR utilises a comprehensive due diligence process when acquiring centres to mitigate or eliminate risk where possible.
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 and to continue to maintain and build occupancy at an individual centre level.
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 - Valuations ascribed to NSR's assets will be influenced by a number of ongoing factors including supply and demand for self-storage centres and general property market conditions. Valuations represent the analysis and opinion of qualified experts at a certain point in time. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.
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.
Future acquisitions and expansions - NSR may consider opportunities to make further acquisitions of self-storage assets. NSR may also develop and expand the lettable area at a number of NSR's centres. The rate at which NSR is able to expand will reflect market forces and the availability of capital at the time. Forecast distributions may be affected by such actions. The risks faced by NSR in relation to any future development projects will depend on the terms of the transaction at the time. There can be no assurance that NSR will successfully identify, acquire and integrate further self-storage assets, or successfully implement acquisitions on time and on budget. Furthermore, there is no guarantee that any acquisition will perform as expected. Future acquisitions may also expose NSR to unanticipated business risks and liabilities.
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.
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.
Workplace health and safety - There is a risk that liability arising from occupational health and safety matters at a property in NSR's portfolio may be attributable to NSR as the registered proprietor. To the extent that any liabilities may be incurred by NSR, this may impact upon the financial position and performance of NSR (to the extent not covered by insurance). In addition, penalties may be imposed upon NSR which may have an adverse impact on NSR. NSR has a dedicated focus on health and safety including comprehensive reporting to assist in the mitigation or elimination of such risks and keep our team members, customers and contractors safe.
Insurance risk - There is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena. If any of NSR's assets are damaged or destroyed by an event for which NSR does not have cover, or a loss occurs which is in excess of the insured amounts, NSR could incur a capital loss and lost income which could reduce returns for holders of stapled securities. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect NSR's right of recovery under its insurance.
Funding - NSR's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of NSR. Changes to any of

RISK
these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, and increase the risk that NSR may not be able to refinance its debt and/or interest rate hedges before expiry or may not be able to refinance them on substantially the same terms as the existing facility or hedge instruments. If alternative financing is not available, this could adversely affect NSR's ability to acquire new properties and to fund capital expenditure, and NSR may need to realise assets at less than valuation, which may result in financial loss to NSR.
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.
Environmental issues - Unforeseen environmental issues may affect the properties in the property portfolio owned by NSR. These liabilities may be imposed irrespective of whether or not NSR is responsible for the circumstances to which they relate. NSR may also be required to remediate sites affected by environmental liabilities. The cost of remediation of sites could be substantial. If NSR is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future.
Data and Cyber Attack Loss – During the course of its operations, NSR is required to handle data from various sources including sensitive customer data. As a result, there is the possibility that data could be either damaged or lost. This creates the risk of potential legal exposure from both commercial third parties and regulators depending on the nature and the extent of any possible loss or damage to the data. There is also the risk that NSR could suffer a cyber attack from a third party that could disrupt its operations and functionality or result in the leaking of sensitive data. NSR employs state of the art cyber security systems, processes and consultants in order to attempt to minimise this risk.
Climate Change - Extreme weather events or progressive damage from climate related causes may cause loss to NSR through either physical impact on storage centres or disrupting operations and attendant income. NSR has enacted a specific regular review process for its centres to ensure such impacts or their likelihood is mitigated to the maximum extent possible. Material expenditure may also be required to comply with new or more stringent laws or regulations introduced in the future.
Impact of COVID-19 - The events relating to COVID-19 have resulted in unprecedented restrictions and lockdowns, including in relation to domestic and international travel and general disruption to business activities. These restrictions have been imposed by Australian and New Zealand state, provincial and federal governments and international governments and regulatory authorities, and/or implemented as a matter of best practice during the ongoing crisis. While all of NSR's centres have remained open and operational throughout the COVID-19 pandemic, the events relating to COVID-19 may have a material adverse effect on, or cause a material adverse change to, NSR's business. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on the NSR business. There is also continued uncertainty as to the duration and further impact of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on global economies. There is no certainty that property values or NSR's business activities will normalise to a level existing prior to the impact of COVID-19 (or how long such normalisation could take). If the duration of events surrounding COVID-19 are prolonged, NSR may need to take additional measures in order to respond appropriately.

DIRECTORS

NATIONAL STORAGE HOLDINGS LIMITED

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

NAME	POSITION
Laurence Brindle	Non-Executive Chairman (Appointed 1 November 2013)
Andrew Catsoulis	Managing Director (Appointed 1 November 2013)
Anthony Keane	Non-Executive Director (Appointed 1 November 2013)
Howard Brenchley	Non-Executive Director (Appointed 21 November 2014)
Steven Leigh	Non-Executive Director (Appointed 21 November 2014)
Claire Fidler	Executive Director (Appointed 18 July 2017)

NATIONAL STORAGE FINANCIAL SERVICES LIMITED (NSFL)

NSFL was appointed as responsible entity on 10 November 2015. The Directors of NSFL in office during the Reporting Period, or appointed prior to the date of this Directors' Report, and continuing as at the date of this Directors' Report are set out below.

NAME	POSITION
Laurence Brindle	Non-Executive Chairman (appointed 18 July 2014)
Andrew Catsoulis	Managing Director (appointed 18 July 2014)
Anthony Keane	Non-Executive Director (appointed 18 July 2014)
Howard Brenchley	Non-Executive Director (appointed 8 September 2015)
Steven Leigh	Non-Executive Director (appointed 8 September 2015)
Claire Fidler	Executive Director (appointed 18 July 2017)

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Boards of National Storage Holdings Limited and National Storage Financial Services Limited

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 where he graduated with distinction. 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 is also currently the Non-executive Chairman of the listed entity, Waypoint REIT.

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

Andrew Catsoulis, Managing Director
BA, LLB, Grad Dip Proj Mgmt (Hons)

A founder of the National Storage business, Andrew has over 25 years of specific self-storage industry expertise including in the areas of acquisitions, developments, integration and operation of 'greenfield' and developed self-storage centres. Andrew is a qualified solicitor 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. Andrew was instrumental in the successful acquisition and integration of the original pre-existing Group portfolio and led the Company through the IPO and planned and negotiated the acquisition of the Southern Cross portfolio in 2016. He has led the company in its growth from a single centre in 1996 to over 190 centres today and has been primarily responsible for charting its strategy over that period.

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

Anthony is an experienced finance and business executive with an extensive background in banking and business management. Prior to accepting his directorship with National Storage, Anthony held numerous leadership roles with a major trading bank principally in business, corporate and institutional banking. He is actively involved in the business community through Non-Executive Director and Advisory Board roles, and finance advisory consultancies. He is a Director of Queensland Symphony Orchestra Pty Ltd and ASX-listed EMvision Medical Devices Ltd. 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.

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 over 30 years' involvement in the Australian property industry, as an analyst, investor and fund manager. He is now a professional company director and consultant to the property funds industry. Howard co-founded Property Investment Research Pty Ltd (PIR) in 1989, which during the 1990's was considered a leading researcher of both listed and unlisted property funds. In 1998 Howard was instrumental in establishing the funds management business of 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 ASX-listed APN Industria REIT (ADI) and APN Convenience Retail REIT (AQR). Until July 2017, APN Funds Management Limited was also responsible entity for Generation Healthcare REIT (GHC).

Howard is a member of the Audit and Risk Committees.

Steven Leigh, Independent Non-executive Director
Grad Dip Proj Mgmt

Steven Leigh has more than 30 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and 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 of QIC Global Real Estate in 2012 where he was responsible for the group's $20bn plus property portfolio. Steven is a non-executive director of ASX-listed company, Scentre Group Limited, and is a founding member of Male Champions of Change established by the Property Council of Australia. He has qualifications in real estate valuation and project management.

Steven is a member of the Remuneration and Nomination Committees.

Claire Fidler, Executive Director
LLB (Hons), B Bus (Int), GAICD, FGIA

Claire was appointed an Executive Director in July 2017 and has been the principal company secretary of National Storage since November 2015. She was appointed Head of Legal & Governance in June 2020 and now oversees the legal, governance and risk functions of the organisation. Claire holds legal and international business qualifications and is admitted as a solicitor of the Supreme Court of Queensland. Claire has over 10 years' experience in corporate and commercial law in private practice, having practiced in the litigation, resources and corporate areas of two large law firms. Prior to joining National Storage, Claire was Corporate Counsel and Company Secretary at Rio Tinto Coal Australia. During this time, in addition to providing legal services to the business, she was responsible for the corporate governance and ASX compliance of one of Rio Tinto's listed subsidiaries as well as managing the corporate secretarial responsibilities of over 50 subsidiaries within the group and providing joint venture support. Claire has also worked in corporate compliance with the Australian Securities and Investments Commission. Claire is a Graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia and is a non-executive director of Spacer Marketplaces Pty Limited.

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	Waypoint REIT (ASX:WPR) (Previously Viva Energy REIT (ASX: VVR))	10/07/2016 - Current
Howard Brenchley	APN Property Group (ASX:APD)	1998 - Current
	APN Funds Management Limited, responsible entity for:	
	APN Industria REIT (ASX:ADI)	03/12/2013 - Current
	APN Convenience Retail REIT (ASX:AQR)	27/12/2017 - Current
	And previously Generation Healthcare REIT (ASX:GHC)	12/08/2011 – July 2017
Steven Leigh	Scentre Group Limited (ASX: SCG)	04/04/2019 – Current
Anthony Keane	EMvision Medical Devices Ltd (ASX:EMV)	11/12/2018 – 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	-	1,523,488	1,523,488
Anthony Keane	10,000	198,727	208,727
Andrew Catsoulis	473,935	13,700,314	14,174,249
Howard Brenchley	-	105,866	105,866
Steven Leigh	-	201,009	201,009
Claire Fidler	-	12,500	12,500

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	19 (19)	6 (6)	8 (8)	3 (3)	3 (3)
Anthony Keane	19 (19)	6 (6)	8 (8)	3 (3)	3 (3)
Andrew Catsoulis	19 (19)	-	-	-	-
Howard Brenchley	18 (19)	6 (6)	8 (8)	-	-
Steven Leigh	17 (19)	-	-	3 (3)	3 (3)
Claire Fidler	19 (19)	-	-	-	-

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 and Ms Fidler attend Nomination, Remuneration, Risk and Audit Committee meetings by invitation.
3. 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

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015
Patrick Rogers	1 November 2013 (resigned 15 May 2020)

NATIONAL STORAGE FINANCIAL SERVICES LIMITED

NAME	APPOINTMENT DATE
Claire Fidler	26 November 2015
Patrick Rogers	18 July 2014 (resigned 15 May 2020)

Claire Fidler
LLB (Hons), B Bus (Int), GAICD, FGIA

Refer to page 26

Patrick Rogers (resigned 15 May 2020)
LLB, B Bus – Accounting, FGIA

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 allows NSH to provide key services to NSFL as Responsible Entity in exchange for a monthly fee. These services include finance and administrative services, property management, provision of staff and equipment.

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 statement of the extent of NSR's compliance with the ASX Recommendations can be viewed on the NSR website at www.nationalstorageinvest.com.au. 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 each of the Directors.

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 $1,321,118.

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 its remuneration arrangements are structured to support and reinforce NSR's overall business strategy, are consistent with the requirements of governance standards and meet the expectations of investors and the community at large. By linking the Short Term Incentive ("STI") and Long Term Incentive ("LTI") (at risk remuneration) of executive remuneration to the drivers that support NSR's business strategy including financial, governance, cultural and community measures, 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, motivating and retaining quality KMP.

COVERAGE OF THIS REPORT

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

Directors of the Responsible Entity do not receive any remuneration from the Responsible Entity in respect to their roles with the Responsible Entity. However, the director fees paid by NSR take into account the complexity involved, and additional duties required to be undertaken, in relation to the operation of the Responsible Entity as a subsidiary of NSH and as part of the consolidated governance group. 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 ("MD") (executive)
Anthony Keane - Director (non-executive)
Howard Brenchley - Director (non-executive)
Steven Leigh - Director (non-executive)
Claire Fidler – Director & Head of Legal and Governance ("HoLG") (executive)

KEY MANAGEMENT PERSONNEL – SENIOR EXECUTIVES
Stuart Owen – Chief Financial Officer ("CFO")
Patrick Rogers – General Counsel and Chief Risk Officer ("GC/CRO")*
* Pat Rogers ceased employment effective 29 May 2020 with the responsibilities previously undertaken by Mr Rogers being allocated across the balance of the executive team.

REMUNERATION GOVERNANCE

REMUNERATION COMMITTEE AND USE OF REMUNERATION CONSULTANTS

The Remuneration Committee's activities are governed by its Charter, a copy of which is available at www.nationalstorageinvest.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 full 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 has been engaged by the Remuneration Committee on a biennial basis in the past to assess the directors and senior executives' current remuneration and remuneration structure and to provide a summary on market practice relating to executive remuneration and remuneration structures. Even though an independent consultant would ordinarily have been appointed during the Reporting Period, as a result of COVID-19 and the uncertainty surrounding the pandemic, the Remuneration Committee opted not to engage a consultant during that time. Subsequent to Reporting Date the Remuneration Committee engaged SW Corporate, an independent remuneration consultant, to provide commentary on the remuneration arrangements currently in place for the NSR executive management team, as well as observations about the use of equity based components within incentive plans. The Remuneration Committee also reviewed a number of other reports and commentary through industry bodies such as the Governance Institute and the Australian Institute of Company Directors, as well as monitoring comparator companies, to determine the current landscape. The advice from SW Corporate did not constitute a remuneration recommendation as defined in the *Corporations Act 2001* (Cth). SW Corporate was paid $5,750 for its services, after the end of the financial year.

The Remuneration Committee comprises three independent non-executive directors and is chaired by Laurence Brindle. The Remuneration committee met 3 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 and non-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.
- Promote and encourage a strong, responsible and positive culture amongst all NSR employees.

In addition to the above tenets, the specific objectives of the NSR board for the year commencing 1 July 2020 include:

- to adjust the TFR of the CFO and HoLG to reflect the expansion in the scope and scale of their respective roles and their performance in the roles;
- achieve a shift in the components of the executive team's TAR such that there is a greater weighting towards "at risk remuneration"; and
- To achieve the introduction of partial equity based remuneration as part of the TAR for the executive team.

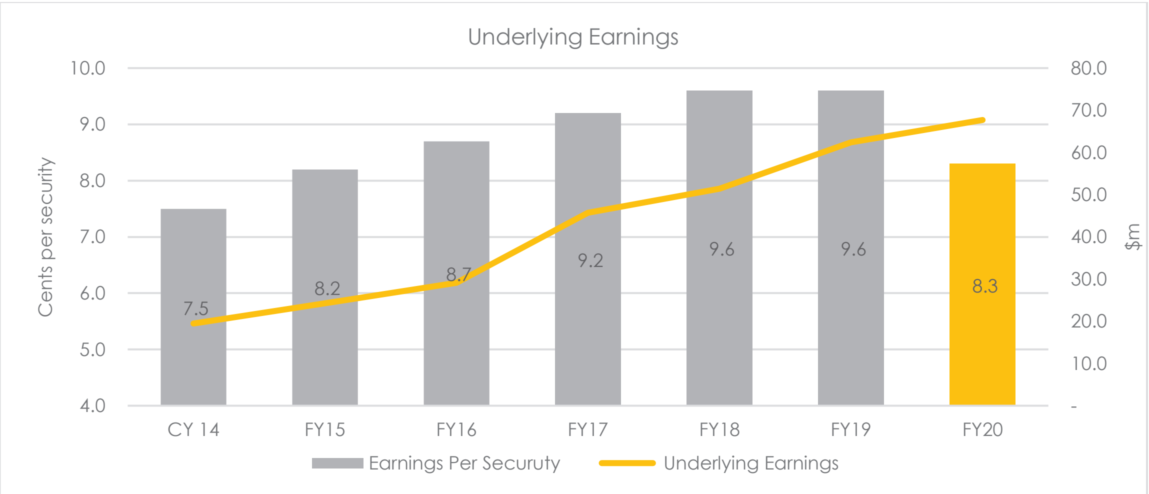
TARGET MARKET POSITIONING
Total Annual Remuneration (TAR) is assessed against a broad comparator group and adjusted to reflect factors such as the criticality and complexity of the role, experience, length of service and NSR's positioning within the group. The individual components of TAR, comprising Total Fixed Remuneration (TFR), 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.

NSR PERFORMANCE

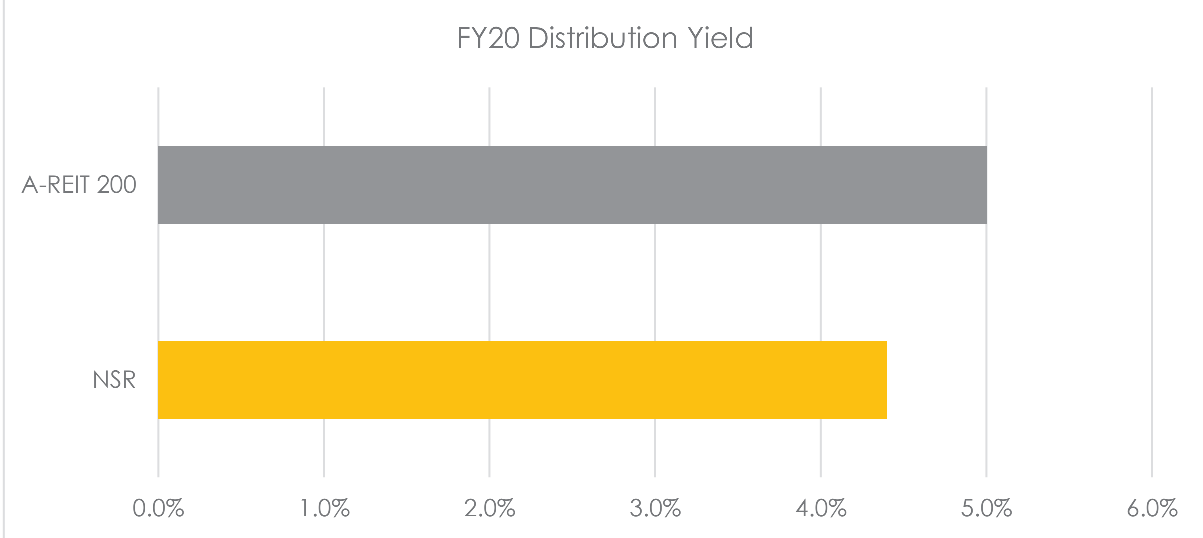
NSR continued its recent successful growth strategy objectives over the reporting period with the delivery of the acquisition of 20 storage facilities and 2 development sites totalling $218 million. These acquisitions have been funded by way of the successful completion of a capital raising, providing $348 million, undertaken by a combination of an institutional placement and an upscaled Security Purchase Plan. This continued the significant development of the business and delivered sustained increases in earnings and assets under management by the successful implementation of NSR's strategy. The identification of development or expansion opportunities, of which NSR currently has 15 projects in various stages of design and construction has continued and during the reporting period NSR has successfully completed 2 new developments at Canterbury in Victoria, as part of the APSF Joint Venture, and Robina on the Gold Coast.

NSR has established a strong track record of consistent growth in underlying earnings[7], net tangible assets (NTA) and total assets under management (AUM). Despite the significant capital raisings undertaken in the previous 18 months and the combined impacts of the prolonged takeover activity and COVID-19 during the Reporting Period, underlying earnings[1] per stapled security remained strong in the 12 months to 30 June 2020. NTA has increased 1% during the year to $1.65 per stapled security and AUM by 17% to $2.28 billion over the 12 months to 30 June 2020. These results have been achieved through the disciplined management of NSR's operations and the continued success of its "Four Pillar" growth strategy. The consistent and considered approach to driving underlying earnings through a combination of organic growth from existing assets as well as acquisitions, developments and expansion activity, overlayed by a focus on technology and innovation, has been instrumental in achieving this result.



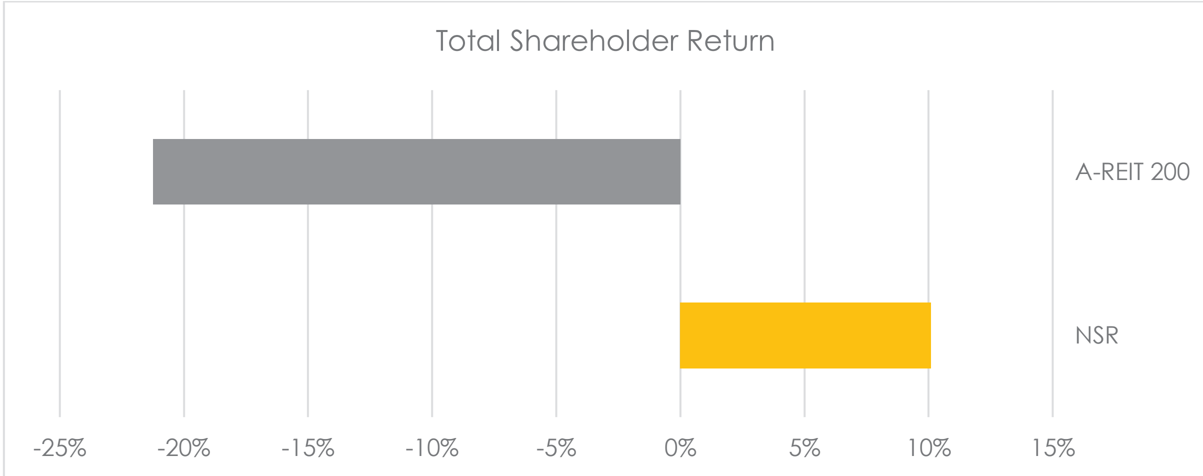
Underlying earnings per stapled security for the year ended 30 June 2020 was impacted by the dilutionary effect of two capital raisings, namely the $174 million capital raise undertaken in June 2019 and the $348 million capital raise in May 2020. In addition, the design and development fee income stream that NSR generates from joint venture and development activities was impacted by the prolonged takeover activity and COVID-19, as some joint ventures and developments were deferred. This revenue has been delayed rather than foregone as the quantum of projects has not reduced and in fact, the joint venture and development pipeline remains as strong as ever.

NSR has maintained a distribution policy which targets distribution of 90% - 100% of underlying earnings[7] to securityholders. During financial year 2020, NSR declared distributions totalling 8.1 cents per stapled security, being at the upper end of the stated policy, delivering a DPS yield of 4.4%, slightly below that of the ASX 200 A-REIT average of 5.0%. This was impacted by the relatively strong performance of the NSR share price that closed at $1.85 on 30 June 2020, up from $1.77 (4.5%) over the prior year.



Source: Bloomberg. Market Data

NSR continues to deliver strong Total Shareholder Return "TSR" (a combination of share price growth and distributions received by securityholders) over the past three years to 30 June 2020 of 44%. Over the reporting period NSR delivered 10% TSR compared to the ASX 200 A-REIT TSR of minus 21%. This has been achieved during a period of unprecedented uncertainty during the first six months of 2020 and demonstrates the robustness and resilience of the NSR business model in particular, and the self-storage industry as a whole.

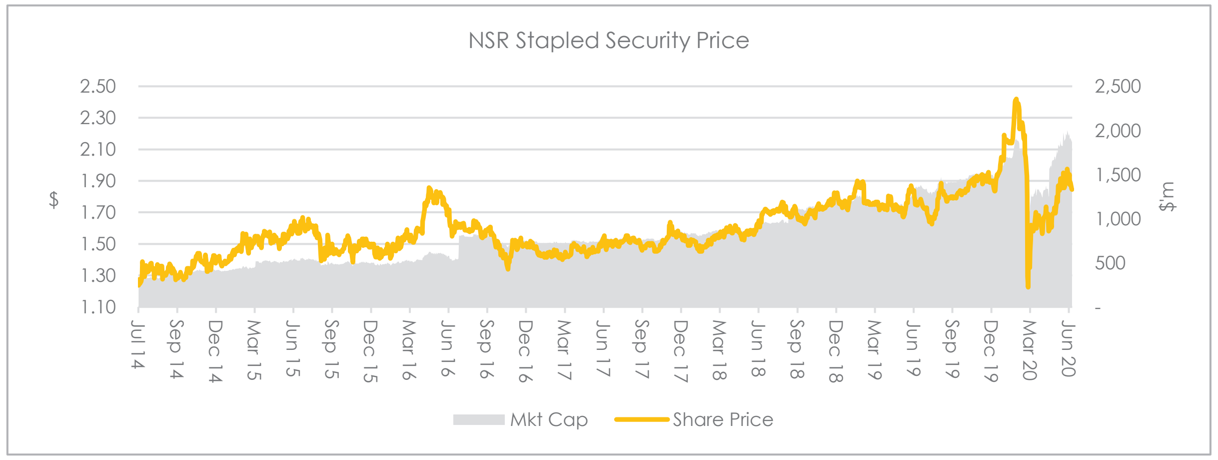


Source: Bloomberg

Note 1: Assumes Dividends are re-invested in underlying security

Note 2: Excludes securities not listed for the entire year

NSR listed in December 2013 with an issue price of $0.98. From that time to 30 June 2020 the stapled security price has increased by 85% (closing price at 30 June 2020 of $1.84), and the market capitalisation of the REIT has increased 517% to $1.87 billion (up 38% from $1.35 billion for the Reporting Period).



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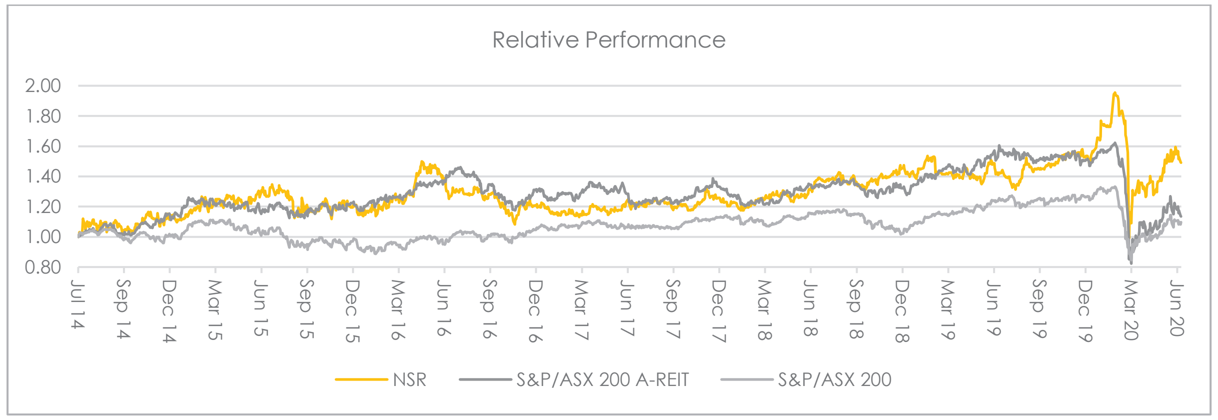
[7] Underlying earnings is a non-IFRS measure (unaudited). See page 32 of Directors' Report for reconciliation of underlying earnings

Security price performance over the period 1 July 2014 to 30 June 2020 has shown a 49% increase. This compares to an increase of 13% for the ASX 200 A-REIT index and 10% for the broader ASX 200 Index over the same period.



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, National Storage Financial Services Limited and the 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 meetings of directors is shown on page 40 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 a 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 2019 Annual General meeting was $1,200,000.

Annual NSH non-executive directors' fees and Committee fees currently agreed to be paid by NSH effective from 1 July 2020 are detailed below. These amounts are consistent with the previous period and given COVID-19 pandemic impacts and the general economic conditions the Board has not increased non-executive directors' fees for the year commencing 1 July 2020. Non-executive directors are not eligible to participate in NSR's incentive plan.

NON-EXECUTIVE DIRECTORS	BASE FEE	AUDIT AND RISK COMMITTEE FEES	REMUNERATION AND NOMINATION COMMITTEE FEES	TOTAL
Laurence Brindle[a.]				$295,000
Anthony Keane[b.]	$122,500	$25,000	$6,000	$153,500
Steven Leigh	$122,500	-	$6,000	$128,500
Howard Brenchley	$122,500	$10,000	-	$132,500

a. Chairman and chair of the Remuneration and Nomination Committees and receives a single fee for all roles
b. Chair of the of Audit and Risk Committees

Where applicable, NSH non-executive directors' fees include superannuation at the required statutory rate.

KEY MANAGEMENT PERSONNEL - EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The primary objective of the remuneration arrangements for executive directors and senior executives is to motivate, incentivise and retain key employees whilst creating maximum alignment with corporate and stakeholder best interests. All remuneration paid to executive directors and senior executives comprises four components:

- Base pay and benefits (including superannuation)
- Short-term performance incentives
- Long-term performance 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 the Board. Given the uncertainty caused by the COVID-19 pandemic and the economic conditions, the Remuneration Committee determined that the Managing Director's base remuneration would not be adjusted for the year commencing 1 July 2020 and as such there would be no increase in his fixed remuneration at this time. Consistent with NSR's abovementioned specific objectives for the coming year, the 'at risk' component of the Managing Director's renumeration will be adjusted as shown on page 48 of this report to more align the at-risk components with the market peer group.

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 as 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 senior executive remuneration review undertaken for the year commencing 1 July 2020 has determined that the previous all cash remuneration plan in place for key executives is no longer typical in the market and recommended to the Remuneration Committee that introducing an equity component as part of an overall revised incentive plan. Based on the Managing Director's extensive interaction with investors and stakeholders it is likely to be both well received by securityholders and provide greater alignment between senior executive incentives and overall securityholder outcomes.

Over the last 12 months the executive management team has successfully dealt with numerous significant internal and external challenges, to achieve an outcome which is acknowledged to be one of the best performances in the A-REIT sector from both an operational and security price performance perspective. These challenges have included:

i. Internally, the departure of two key senior employees and the assumption of their responsibilities by the remaining executive management team;
ii. Externally, protecting securityholders' best interests through the challenge of takeover activity with three non-binding indicative offers ("NBIO's") received from various parties. This process involved data room establishment and management, extensive Q&A and travel related due diligence, multiple presentations with senior management and intense media and regulatory scrutiny of the process; and
iii. Responding quickly and effectively to the COVID-19 pandemic across multiple jurisdictions in two countries, providing strong leadership with the successful implementation of quick and decisive plans. The outcome of this comprehensive top down response was that all National Storage centres remained operational throughout the pandemic with zero staff infections to date, and well controlled and minimised impact on the business.

With the departure of the General Counsel and Chief Risk Officer during the Reporting Period, the roles and responsibilities previously filled by Mr Rogers have been allocated across the remaining three senior executives. This was taken into account in determining the base salaries for the remaining senior executives for the year commencing 1 July 2020.

In addition, the proposed remuneration increases take into account the senior executives' respective highly demanding roles and their increasing tenure and growing competency in their respective areas. The team assembled is highly competent, cohesive, collaborative and has the capacity to continue to successfully manage and drive business growth well into the future. The executive team as a whole has consistently demonstrated its willingness to make decisions in the best long term strategic, corporate and securityholder interests of National Storage regardless of potential negative short-term impacts on executive rewards. This has been seen as NSR has undertaken multiple capital raises since IPO, resulting in significant dilution of its earnings per security, without ever changing its threshold predetermined hurdles for executive achievement of STI / LTI. These capital raisings have been essential in order to fund the company's extraordinary growth trajectory from 62 to 194 centres, growing assets under management from $294m to over $2.2 billion in the process. Primarily due to this factor, the executive team over the last three financial years (2018-2020) has earned in aggregate approximately 45% of its combined potential STI / LTI arrangements. During the same period NSR's security price has increased from $1.63 to $1.85 providing a total securityholder return of 44%.

The performance of National Storage against its peers has been at the highest level despite multiple challenges encountered throughout the last 12 months including takeover activity, COVID-19 and considerable media, regulatory and investor interest during this time. This is in no small part due to the unrelenting and ongoing efforts of the executive team. It is also of note that throughout the COVID-19 pandemic NSR was able to manage the myriad of challenges to its business while not receiving any

Jobkeeper government assistance and ensuring its workforce remained fully engaged with no reduction in general salaries and benefits.

The at-risk components of the KMP's total remuneration packages were recommended to increase to reflect the feedback received from investors and proxy advisors as well as the deferred payment structure associated scrip component of the STI and LTI as outlined below. The increased at-risk components of STI and LTI should be considered to be genuinely at risk as evidenced by the fact that in the past three financial years approximately 45% of total potential executive STI and LTI has been earned by the current executive team. In addition, the fact that a component of the STI and LTI is to be paid over a three year period acts as a further alignment and a retention tool.

The effect of this has seen aggregate fixed remuneration for the KMP for the year commencing 1 July 2020 reduce by 11.9% and aggregate total remuneration increase by11.5%, reflecting the higher at-risk components of KMP remuneration when compared to the Reporting Period. This analysis includes the position of General Counsel / Chief Risk Officer within the Reporting Period and excludes this position for the year commencing 1 July 2020 with the roles and responsibilities having been absorbed by the remaining KMP. 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 designed to fall within the limits relevant to the *Corporations Act 2001* (Cth) such that they do not require securityholder approval. However, in addition, all executive contracts make any such benefits subject to the *Corporations Act 2001* (Cth), all other applicable laws and where necessary securityholder approval. They also contain provisions which allow NSH to reduce any such payments to ensure compliance with the law.

The terms of employment for the KMP effective from 1 July 2020 period are set out in the table below.

NAME	TERM OF AGREEMENT AND NOTICE PERIOD	BASE SALARY INCLUDING SUPERANNUATION*	TERMINATION PAYMENTS
Andrew Catsoulis	No fixed term 6 months	$1,075,000	• 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	$600,000	• 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 year of service – capped at 2 months in the event of redundancy
Claire Fidler	No fixed term 6 months	$400,000	• 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 year of service – capped at 2 months in the event of redundancy

* Base salaries are annual salaries for the financial year commencing 1 July 2020. They are reviewed annually by the Remuneration Committee. Actual salaries paid in the year ended 30 June 2020 are shown on page 52.

The composition of TAR for the year ending 30 June 2021 for KMP is detailed in the table below.

ROLE	TFR	STI	LTI	STI as % of TFR	LTI as % of TFR
MD	41.66%	29.17%	29.17%	70%	70%
CFO	55.56%	22.22%	22.22%	40%	40%
HoLG	62.50%	18.75%	18.75%	30%	30%

This structure reflects and is consistent with NSR's policy objectives for executive TAR for the year commencing 1 July 2020 as outline above.

Short and long term incentives

KMP senior executives may also be entitled to participate in the STI and LTI 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, experience, length of service and NSR's positioning within the comparator group including the ASX200 A-REIT index.

New payment structure – Short and long term incentives

The Board regularly assesses the structure of the incentive plans based on market best practice and feedback received from both investors and proxy advisors and has determined that going forward payments made under these plans will be paid through a combination of cash and scrip, rather than all cash, to further align executive remuneration with current investor expectations and returns. Based on this the Board has determined that from 1 July 2020 the payment of any STI earned will be in the form of 70% cash and 30% scrip and any LTI earned will be in the form of 30% cash and 70% scrip. The quantum of scrip will be determined using the 30-day VWAP up to 30 June in the relevant year.

The scrip based component will be structured in three equal tranches, with tranche 1 being scrip issued immediately and the remaining two tranches issued as rights to vest over a 2-year period. This provides an upfront component to recognise the contributions made during the current year and a further incentive for executive retention. The scrip components will be issued as follows:

- T1 – issued immediately as scrip
- T2 – issued as rights vesting on 30 June, 12 months from the end of the relevant financial year
- T3 – issued as rights vesting on 30 June, 24 months from the end of the relevant financial year

The vesting of subsequent tranches will be subject to conditions around continuity of employment and change in control such as:

- Dismissal (termination for cause)
- Resignation
- Death or Total Permanent Disablement (termination for illness)
- Retirement with the approval of the Board
- Company initiated termination without cause e.g. retrenchment and redundancy
- Change in control

Any scrip component earned as part of this payment structure will be submitted, if required, for securityholder approval at a general meeting of securityholders.

Incentive program is effective from 1 July 2020.

<u>Short Term Incentive (STI)</u>

The STI contains four separate elements that will be assessed independently of the other elements. The STI is an annual incentive and as outlined above is to be paid 70% cash and 30% scrip.

ELEMENT	PERCENTAGE OF STI	CRITERIA
Financial	70%	Achieve 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 $1,113,000 for FY21 in aggregate for all KMP.

Long Term Incentive (LTI)
The LTI criteria have been set so as to align the interests of KMP with those of securityholders. The LTI contains two separate components which are independently tested. The LTI is an annual incentive and as outlined above is to be paid 30% cash and 70% scrip.

ELEMENT	PERCENTAGE OF LTI	CRITERIA
Total Shareholder Return	70%	Minimum total shareholder return above the 50th percentile in comparison to the ASX 200 A-REIT index. The LTI becomes payable in accordance with the sliding scale below once the 50th percentile hurdle is met.
Earnings Per Share Growth	30%	Earnings per share growth of 5% per annum.

For the purposes of determining the LTI attributable to Total Shareholder Return in any given period, the following scale is applied:

NSR TSR v ASX 200 A-REIT INDEX	LTI PAYABLE
<50th percentile	0%
50th percentile	50%
>50th - <75th percentile	Pro-rata from 50% - 100%
>= 75th percentile	100%

The LTI is 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). Post three years' service the LTI will be paid on an annual basis on the previous three years' performance against the pre-determined criteria. For the year commencing 1 July 2020 the Earnings Per Share Growth target has been set at 8.0 cents per stapled security.

The minimum LTI payable is zero and maximum LTI payable is $1,113,000 for FY21 in aggregate for all KMP.

Short and long term incentives in place during reporting period:
The KMP were eligible for payment of STI's and LTI's for the financial year ended 30 June 2020 in accordance with the incentive program outlined in the 2019 Annual Report. The assessment criteria for the program are consistent with those outlined on pages 38-39 above. Incentives achieved for the year ending 30 June 2020 are payable in cash as described in the 2019 Annual Report.

The STI's and LTI's were agreed with the KMP to reward them for performance against both financial and operational objectives. The minimum payable was zero and maximum payable was $1,500,000 for FY20 in aggregate for all KMP.

The STI and LTI hurdles included:
1. Underlying earnings[8] equal to or exceeding 10.0 cents per security
2. TSR over the three year period to 30 June 2020 being greater than the 50th percentile of the comparator group (ASX A-REIT 200)
3. Rolling three-year compound EPS growth exceeding 5% (June 2020 target 10.7cps)

The Board has assessed the performance of the Company and the KMP against the performance criteria and have determined that the following STI and LTI's have been earned and are payable, inclusive of statutory Superannuation amounts, for the period 1 July 2019 to 30 June 2020.

INCENTIVE OFFICER	STI		LTI		
	AMOUNT	% EARNED	AMOUNT	% EARNED	TOTAL
Andrew Catsoulis (MD)	$125,400	28.5%	$308,000	70.0%	$433,400
Stuart Owen (CFO)	$47,025	28.5%	$115,500	70.0%	$162,525
Patrick Rogers (GC/CRO)*	$0	0%	$0	0.0%	$0
Claire Fidler (HoLG)	$18,525	28.5%	$45,500	70.0%	$64,025
Total	**$190,950**	**25.5%**	**$469,000**	**62.5%**	**$659,950**

* Patrick Rogers ceased employment effective 29 May 2020

8 Underlying earnings is a non-IFRS measure (unaudited). See page 32 of Directors' Report for reconciliation of underlying earnings

The Board continues to assess both short-term and long-term incentives against a strict set of criteria and believes that delivering superior results to securityholders is required for KMP to achieve full incentive payments.

Other Remuneration

The Board has determined that it is appropriate to recognise and reward the executive team with a one-off discretionary bonus which will supplement the STI and LTI achieved during the Reporting Period, such that KMP will individually earn 99% of their potential STI and LTI arrangements for the year ended 30 June 2020. Total KMP combined incentive payments for the period will represent approximately 89% of total STI and LTI available across the KMP group. This decision has been made on the basis of their extraordinary performance over that period. This discretionary payment will form part of 2021 remuneration and is not included in the 2020 Remuneration table on page 52.

Reasons for this increased and extraordinary workload have included:
- NSR having received three unsolicited NBIO's from institutional counterparties which were required to run in parallel through a full due diligence process;
- Having engaged in a high level of dialogue with its stakeholders including investors, analysts, employees, various banks and regulators;
- NSR having undertaken significant capital raises over the period with additional regulatory scrutiny and involvement from both ASX and ASIC as a result of temporary changes to regulations; and
- Ongoing debt refinancing and related work which was undertaken personally by the senior executive following a senior employee's departure.

Over this period the executive team has maintained a highly driven, motivated and committed team ethos, which has ensured that staff members across two countries have remained highly engaged, resulting in minimised business disruption and impact to the business from COVID-19. This has been reflected in NSR's strong performance over this period with minimised loss of occupancy, and the resilience of NSR's security price.

The KMP bonus will be paid in cash and structured in part to act as a retention tool, as it will be paid in two tranches, and subject to additional qualification criteria as set out below.

INCENTIVE OFFICER	EARNED UNDER INCENTIVE PLAN	% EARNED	DISCRETIONARY AMOUNT	TOTAL	% EARNED
Andrew Catsoulis (MD)	$433,400	49.3%	$440,000	$873,400	99.3%
Stuart Owen (CFO)	$162,525	49.3%	$165,500	$327,525	99.3%
Patrick Rogers (GC/CRO)*	$0	0%	$0	$0	0.0%
Claire Fidler (HoLG)	$64,025	49.3%	$65,500	$129,025	99.3%
Total	**$659,950**	**44.0%**	**$670,000**	**$1,329,950**	**88.7%**

* Patrick Rogers ceased employment effective 29 May 2020

The discretionary payment will be structured and paid in two equal tranches as follows:
- T1 – paid immediately
- T2 – paid on 1 July 2021 – forfeited if employee resigns prior or does not satisfy the criteria below

Other factors required to qualify for the deferred payment are as follows:
- Good citizen – employee has not acted in a fashion which could reasonably be considered to be contrary to the best interests of NSR
- Diligence – employee has performed their role in a diligent fashion
- Any other factors that the Board determines at its absolute discretion

The proposed discretionary bonus structure is seen as:
- A recognition of the outstanding efforts of the executive team in producing a strong result for the period in the face of significant adversity;
- This result being at the very top end of NSR's peer related performance;
- An acknowledgement of the unbiased decision making undertaken by the executive team in recommending various strategic actions which have placed NSR in a strong financial and operational position leading into FY21.

DETAILS OF REMUNERATION

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

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2020	$	$	$	$	$	$	$	$	%
Non-executive directors									
Laurence Brindle	275,636	-	9,910	21,003	-	-	-	306,549	0%
Anthony Keane	141,261	-	-	13,420	-	-	-	154,681	0%
Howard Brenchley	132,414	-	-	-	-	-	-	132,414	0%
Steven Leigh	118,254	-	-	11,234	-	-	-	129,488	0%
Executive directors									
Andrew Catsoulis	1,144,162	125,400	9,910	25,662	308,000	24,543	-	1,637,677	26%
Claire Fidler	302,221	18,525	9,910	21,003	45,500	7,306	-	404,465	16%
Senior executives									
Stuart Owen	563,433	47,025	9,910	21,003	115,500	12,557	-	769,428	21%
Patrick Rogers*	330,588	0	9,030	21,003	-	8,641	328,991	698,253	0%
Total	**3,007,969**	**190,950**	**48,670**	**134,328**	**469,000**	**53,047**	**328,991**	**4,232,955**	

* Patrick Rogers ceased employment effective 29 May 2020

	SALARY & FEES	SHORT TERM INCENTIVE (CASH)	NON-MONETARY BENEFITS	POST-EMPLOYMENT BENEFITS SUPERANNUATION	LONG TERM INCENTIVE (CASH)	LONG SERVICE LEAVE	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
2019	$	$	$	$	$	$	$	$	%
Non-executive directors									
Laurence Brindle	259,469	-	9,000	20,531	-	-	-	289,000	0%
Anthony Keane	133,333	-	-	12,667	-	-	-	146,000	0%
Howard Brenchley	124,047	-	-	-	-	-	-	124,047	0%
Steven Leigh	110,502	-	-	10,498	-	-	-	121,000	0%
Executive directors									
Andrew Catsoulis	956,004	394,000	9,000	20,531	140,000	22,603	-	1,542,138	35%
Claire Fidler	258,968	37,219	9,000	20,531	13,125	6,279	-	345,122	15%
Senior executives									
Stuart Owen	515,425	148,875	9,000	20,531	52,500	11,301	-	757,632	27%
Patrick Rogers	373,243	74,438	9,000	20,531	26,250	8,562	-	512,024	20%
Total	**2,730,991**	**654,532**	**45,000**	**125,820**	**231,875**	**48,745**	**-**	**3,836,963**	

SECURITYHOLDINGS 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 2019	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	ACQUIRED	BALANCE 30 JUNE 2020
Directors of NSH					
Laurence Brindle	1,523,488	-	-	-	1,523,488
Anthony Keane	179,618	-	-	29,109	208,727
Andrew Catsoulis	14,019,249	-	-	155,000	14,174,249
Howard Brenchley	56,757	-	-	49,109	105,866
Steven Leigh	81,900	-	-	119,109	201,009
Claire Fidler	10,146	-	-	2,354	12,500
Executives of NSH					
Stuart Owen	-	-	-	100,000	100,000
Patrick Rogers*	5,163	-	-	-	-
Total	**15,876,321**	**-**	**-**	**454,681**	**16,325,839**

* Patrick Rogers ceased to be KMP effective 29 May 2020

RELATED PARTY TRANSACTIONS

There were no other transactions with KMP and their related parties during the reporting period.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Acquisitions

Since Reporting Date the Group has settled seven storage centres in Western Australia (1 centre), New South Wales (2 centres) and Queensland (4 centres), for a total combined purchase price of $133.9 million.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Consolidated Group and NSPT Group are entities to which the ASIC Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* (Cth) is set out on page 57.

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 2001* (Cth). 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 $75,815 for the provision of Category 4 fees for other services conducted during the financial year. Refer Note 20 of the financial statements.

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 17 to the financial statements.

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

INTERESTS IN THE NSPT

The movement in units on issue by the NSPT during the year is set out in Note 13 to the financial statements.

This Directors' Report is made on 25 August 2020 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

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Auditor's Independence Declaration to the Directors of National Storage REIT and its controlled entities

As lead auditor for the audit of the financial report of National Storage REIT and its controlled entities for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ric Roach
Partner
25 August 2020

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue from rental income		164,078	144,147
Revenue from contracts with customers	5	12,563	13,510
Interest income	7	1,272	1,531
Total revenue		**177,913**	**159,188**
Employee expenses	6	(32,085)	(28,744)
Premises costs		(22,481)	(19,141)
Advertising and marketing costs		(4,277)	(4,243)
Insurance costs		(4,084)	(2,607)
Other operational expenses	6	(14,895)	(11,891)
Finance costs	7	(39,401)	(33,747)
Share of (loss) / profit from joint ventures and associates	12	(491)	3,171
Gain from fair value adjustments	10.4	63,019	84,663
Restructuring and other non-recurring costs		(3,704)	(1,538)
Profit before income tax		**119,514**	**145,111**
Income tax benefit / (expense)	8	2,265	(271)
Profit after tax		**121,779**	**144,840**
Profit / (loss) for the year attributable to:			
Members of National Storage Holdings Limited		(5,981)	5,406
Non-controlling interest (unitholders of NSPT)		127,760	139,434
		121,779	**144,840**
Basic and diluted earnings per stapled security (cents)	19	14.67	21.59

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020 $'000	2019 $'000
Profit after tax	**121,779**	**144,840**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,731)	858
Net loss on cash flow hedges	(5,857)	(21,808)
Other comprehensive loss for the year, net of tax	**(7,588)**	**(20,950)**
Total comprehensive income for the year	**114,191**	**123,890**
Total comprehensive income for the year attributable to:		
Members of National Storage Holdings Limited	(5,944)	5,391
Unitholders of National Storage Property Trust	120,135	118,499
	114,191	**123,890**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9.1	90,352	178,842
Trade and other receivables	9.2	15,975	19,738
Inventories	10.1	833	682
Assets held for sale	10.2	-	1,107
Income tax receivable		331	-
Other current assets	9.3	10,469	7,014
Total current assets		**117,960**	**207,383**
Non-current assets			
Trade and other receivables	9.2	518	118
Property, plant and equipment	10.3	1,091	856
Right of use assets	9.7	6,540	-
Investment properties	10.4	2,452,085	2,117,176
Investment in joint ventures and associates	12	8,451	16,731
Intangible assets	10.5	46,629	46,500
Deferred tax assets	8	7,041	2,980
Other non-current assets	9.3	19	569
Total non-current assets		**2,522,374**	**2,184,930**
Total assets		**2,640,334**	**2,392,313**
LIABILITIES			
Current liabilities			
Trade and other payables	9.4	14,875	18,993
Lease liabilities	9.7	6,011	5,327
Deferred revenue	10.6	12,236	12,719
Income tax payable		418	1,264
Provisions	10.7	2,460	2,463
Distribution payable	16	34,467	34,370
Other liabilities	9.6	50	713
Total current liabilities		**70,517**	**75,849**
Non-current liabilities			
Borrowings	9.5	677,702	843,927
Lease liabilities	9.7	164,582	163,827
Provisions	10.7	2,655	1,964
Deferred tax liabilities	8	2,697	1,097
Other liabilities	9.6	357	1,375
Total non-current liabilities		**847,993**	**1,012,190**
Total liabilities		**918,510**	**1,088,039**
Net assets		**1,721,824**	**1,304,274**
EQUITY			
Non-controlling interest (unitholders of NSPT)		1,578,615	1,188,147
Contributed equity	13	133,169	100,143
Other reserves	14	10	(27)
Retained earnings		10,030	16,011
Total equity		**1,721,824**	**1,304,274**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Attributable to securityholders of National Storage REIT

	Notes	Contributed equity $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019		**100,143**	**16,011**	**(27)**	**1,188,147**	**1,304,274**
Profit / (loss) for the year		-	(5,981)	-	127,760	121,779
Other comprehensive income	14	-	-	37	(7,625)	(7,588)
Total comprehensive income		**-**	**(5,981)**	**37**	**120,135**	**114,191**
Issue of stapled securities	13	33,444	-	-	348,091	381,535
Costs associated with issue of stapled securities		(598)	-	-	(6,252)	(6,850)
Deferred tax on cost of stapled securities	8	180	-	-	-	180
Distributions	16	-	-	-	(71,506)	(71,506)
		33,026	**-**	**-**	**270,333**	**303,359**
Balance at 30 June 2020		**133,169**	**10,030**	**10**	**1,578,615**	**1,721,824**
Balance at 1 July 2018		**66,128**	**10,605**	**(12)**	**813,558**	**890,279**
Profit for the year		-	5,406	-	139,434	144,840
Other comprehensive income	14	-	-	(15)	(20,935)	(20,950)
Total comprehensive income		**-**	**5,406**	**(15)**	**118,499**	**123,890**
Issue of stapled securities	13	18,047	-	-	173,555	191,602
Contract for future issue of equity	13	16,451	-	-	153,549	170,000
Costs associated with issue of stapled securities		(690)	-	-	(6,562)	(7,252)
Deferred tax on cost of stapled securities	8	207	-	-	-	207
Distributions	16	-	-	-	(64,452)	(64,452)
		34,015	**-**	**-**	**256,090**	**290,105**
Balance at 30 June 2019		**100,143**	**16,011**	**(27)**	**1,188,147**	**1,304,274**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Operating activities			
Receipts from customers		190,954	174,782
Payments to suppliers and employees		(101,140)	(82,341)
Interest received		1,202	2,024
Income tax paid		(1,538)	(1,153)
Net cash flows from operating activities	9.1	**89,478**	**93,312**
Investing activities			
Purchase of investment properties		(236,601)	(416,648)
Proceeds on sale of investment property		5,091	26,961
Improvements to investment properties		(8,246)	(10,762)
Development of investment properties under construction		(37,550)	(13,027)
Purchase of property, plant and equipment	10.3	(633)	(233)
Purchase of intangible assets		(918)	(777)
Distribution received from joint ventures and associates	12	10,319	5,064
Return of capital on sale of units in joint venture	12	-	3,000
Investments in associates and joint ventures	12	(2,530)	(3,499)
Net cash flows used in investing activities		**(271,068)**	**(409,921)**
Financing activities			
Proceeds from issue of stapled securities	13	361,877	345,425
Transaction costs on issue of stapled securities		(7,025)	(7,427)
Distributions paid to stapled security holders	16	(51,751)	(41,301)
Proceeds from borrowings		267,558	398,876
Repayment of borrowings		(430,000)	(155,100)
Payments associated with resetting interest rate swaps	9.5	(14,303)	(22,913)
Financing provided to joint ventures	17	(2,125)	(4,125)
Repayment of financing provided to joint ventures		6,950	-
Payment of principal and interest on lease liabilities		(13,599)	(12,836)
Interest and other finance costs paid		(24,525)	(26,531)
Net cash flows from financing activities		**93,057**	**474,068**
Net (decrease) / increase in cash and cash equivalents		(88,533)	157,459
Net foreign exchange difference		43	50
Cash and cash equivalents at 1 July		178,842	21,333
Cash and cash equivalents at 30 June	9.1	**90,352**	**178,842**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. CORPORATE INFORMATION

National Storage REIT ("**the Group**" or "**NSR**") is 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**").

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 (National Storage Financial 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 termination by either entity.

The financial report of NSR for the year ended 30 June 2020 was approved on 25 August 2020, in accordance with a resolution of the Board of Directors of NSH.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("**AASB**") and the Corporations Act 2001. The financial statements have been prepared on a historical cost basis, except for selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. NSH is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian Dollars ("**AUD**") and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated (refer to note 2(w)).

The accounting policies applied by NSR in these financial statements are the same as the 30 June 2019 financial statements except for the accounting policies impacted by new or amended accounting standards detailed in this note.

The Group has elected to present only financial information relating to NSR within these financial statements. A separate financial report for the NSPT Group has also been prepared for the year ended 30 June 2020. This is available at www.nationalstorageinvest.com.au.

(b) Compliance with IFRS

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

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current year. The Group has applied AASB 16 *Leases* for the first time in these financial statements.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4: Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases - Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted AASB 16 Leases using the modified retrospective method from 1 July 2019. Under this method, the Standard is applied retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. The Group has not restated comparative periods, as permitted under the specific transitional provisions in the Standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

<u>Adjustments recognised on adoption of AASB 16</u>

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. The liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The adoption of AASB 16 at 1 July 2019 results in the recognition of following assets and liabilities:

	$'000
Assets	
Right of use assets	1,086
Liabilities	
Lease liabilities	1,086

The Group recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low value assets. The right of use assets were recognised based on the carrying amount of lease liabilities on application of the standard, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. A single discount rate was applied across the lease portfolios due to the similar characteristics of each arrangement.

In applying AASB 16 for the first time, the Group has applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application as a practical expedient permitted by the standard. The Group had one premises lease that expired in April 2020, to which this expedient was applied.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019:

	$'000
Operating lease commitments as at 30 June 2019	1,382
Weighted average incremental borrowing rate as at 1 July 2019	2.93%
Discounted operating lease commitments as at 1 July 2019	1,317
Less:	
Commitments relating to short-term leases	(385)
Add:	
Commitments relating to leases recognised for the first time under AASB 16	154
Lease liabilities as at 1 July 2019	**1,086**

The Group continues to recognise a lease liability on its leasehold investment properties previously measured under AASB 117. They are now accounted for under AASB 16 and there was no impact on these leases upon transition.

Other standards, amendments and interpretations

The Group adopted AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business* from 1 July 2018 as detailed in note 2(g). The Group has also adopted AASB Interpretation 23 *Uncertainty over Income Tax Treatments* which has had no impact on these financial statements.

Several other amendments and interpretations apply for the first time in the reporting period, but do not have a material impact on the consolidated financial report of the Group. The Group has not early adopted any other standards.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations relevant to the Group's operations, that have recently been issued or amended but are not yet effective or have not been adopted for the annual reporting year ended 30 June 2020 are outlined in the following table:

Reference	Title	Summary and impact on Group financial report	Application date of standard	Application date for Group
AASB 2019-1	Conceptual Framework for Financial Reporting and relevant amending standards	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts including: • The objective of financial reporting • Qualitative characteristics of useful financial information • Financial statements and the reporting entity • The elements of financial statements • Recognition and derecognition • Measurement • Presentation and disclosure • Concepts of capital and capital maintenance The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.	1 January 2020	1 July 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify aspects of the definition. This clarifies that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	1 July 2020
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends *AASB 10 Consolidated Financial Statements* and AASB 128 *Investments in Associates* and Joint Ventures to address an inconsistency between the requirements in AASB 10 and those in AASB 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2022	1 July 2022

Basis of consolidation

The Financial Statements of NSR as at 30 June 2020 comprises the consolidated financial statements of the NSH Group and the NSPT Group.

The financial statements for the Group are prepared on the basis that NSH was the acquirer of NSPT. The non-controlling interest is attributable to stapled securityholders 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 loses control. The acquisition method of accounting is used to account for business combinations (see note 2(g).

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of all subsidiaries are consistent with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the parent entity.

Associates
Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

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

Investments in joint ventures are accounted for using the equity method.

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

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

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

The financial statements of associates and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit or loss of joint ventures and associates' in the consolidated statement of profit or loss. Upon loss of significant influence over an associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Revenue recognition

Revenue is recognised under AASB 15 Revenue from Contracts with Customers and applies to all revenue from contracts with customers, unless those contracts are in the scope of other standards.

The Group follows a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to, in exchange for transferring goods or services to a customer. The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The specific recognition criteria described below must also be met before revenue is recognised.

The Group's revenue is disaggregated in the statement of profit or loss with the exception of Revenue from Contracts with Customers which is disaggregated into categories in note 5 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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

Revenue from contracts with customers
Sale of goods and services
Revenue from the sale of goods is recognised on fulfilment of performance obligations. The Group recognises revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or service.

Agency fees and commission
The Group acts as an agent in the provision of insurance services provided by a third party insurance company to storage rental customers. The Group's contracts with customers for agency fees and commissions consist of one performance obligation. The Group recognises revenue at the point in time when the commission is generated and is receivable.

Design and development fees
The Group's design and development fees to customers consist of one performance obligation. The Group recognises revenue from design and development fees over the relevant period of the performance obligations as the Group's performance creates or enhances an asset that the customer controls.

Management fees
The Group's contracts with customers for management fees are recognised over the period of the management agreement, in line with recurring performance obligations.

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

(e) Taxes

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

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

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.
Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

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

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

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

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

The deferred tax liabilities in relation to investment property is recognised dependent upon the taxable impact in the relevant jurisdiction. The Group assumes that the current measurement at fair value will be recovered entirely through a sale.

In New Zealand, as any capital gain on sale will generally be exempt from tax, the deferred tax liability in relation to these assets would generally be calculated based on the amount of any tax depreciation recovery.

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

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

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

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

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

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

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

Tax consolidation legislation
NSH 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.

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

- When the GST incurred on a sale or purchase of assets is not payable or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or expense item or part of the cost of acquisition of the asset, as applicable.

- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classed as part of operating cash flows.

(f) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.
The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(g) Business combinations and goodwill

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

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

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

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

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

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

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

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

(h) Leases

The Group leases properties which are classified as investment properties (note 10.4). The Group also leases office premises and items of plant and equipment.

From 1 July 2019, the Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets
The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets (excluding leasehold investment properties) are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Leasehold investment property assets are measured at fair value as detailed in note 2(p). If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment as detailed in note 2(r).

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low value assets
The Group applies the short term lease recognition exemption to its short term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognised on a straight line basis over the lease term.

For the prior reporting period ended 30 June 2019, the determination of whether an arrangement is a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset or assets and the arrangement conveyed the right to use the asset or assets.

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

The corresponding rental obligations, net of finance charges, were included in other short-term and long-term liabilities. Each lease payment was allocated between the liability and finance cost. The finance cost being charged to the profit or loss over the lease period. The investment properties acquired under finance leases were carried at fair value with changes in value presented in profit or loss.

The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there was 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 were not transferred to the Group were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Group as a lessor
From 1 July 2019, leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

For the prior reporting period ending 30 June 2019, lease income from operating leases where the group was a lessor was recognised in revenue less any amount contractually refundable to customers over the term of lease.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, cash on hand and term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

(j) 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 the estimated costs necessary to make the sale.

(k) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

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

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

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

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

Derecognition

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

Impairment

The Group uses AASB 9's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach to recognise an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

(l) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

Fees paid on the establishment of loan facilities are capitalised as transaction costs of the loan and subsequently amortised over the period of the facility to which it relates.

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

Derecognition

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

(m) Derivative financial instruments and hedge accounting

Initial recognition and measurement

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

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

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

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

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

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 9.8. Movements in the hedging reserve in equity are shown in note 14. 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 interest income or finance costs.

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

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in other comprehensive income and accumulated in a separate component of equity within the hedging reserve.
The amounts accumulated in other comprehensive income are accounted for depending on the nature of the underlying hedged transaction.

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

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

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

(n) Assets held for sale

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. A disposal group qualifies as a discontinued operation if it is a component of an entity that has been disposed of, or is classified as held for sale, and:

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(o) Property, plant and equipment

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 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 to 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(r)). 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 rotational basis, every three years, unless required by the underlying financing or the Directors determine a more frequent valuation cycle.

For properties subject to an independent valuation report, the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

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

Transfers are made to or from investment property only when there is a change in use.
Leasehold investment properties
The Group, as lessee, has properties that in accordance with AASB 140 *Investment Property*, qualify for recognition 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 and the fair value of the lease to the NSH Group is recorded each period as investment property.

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.

From 1 July 2019, lease payments are accounted for under AASB 16, see note 2(h), and for the prior reporting period under AASB 117. Under both approaches the Lease payments are allocated between the principal component of the lease liability and interest expense 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 within payment of lease liabilities within the 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 with indefinite useful lives, such as goodwill, are not amortised but are tested for impairment at each reporting period, either individually or at the CGU 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 derecognition 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.

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in other operational expenses. During the period of development, the asset is tested for impairment annually.

(r) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU's). Non-financial assets other than goodwill that have been impaired in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

(s) 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 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.

In accordance with lease agreements, the Group must restore the leased premises in a number of leasehold premises to its original condition at lease expiry. A provision has been recognised for the obligation to remove leasehold improvements from the leased premises (note 10.7).

(t) Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, and accumulating annual

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.

Other long-term employee benefits obligations
The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service 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 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.

(u) Contributed equity

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

(v) Dividends and distributions to securityholders

The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and is no longer at the discretion of the Company or the Responsible Entity. A corresponding amount is recognised directly in equity.
Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

(w) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Parent entity financial information

The financial information for the parent entity, NSH, disclosed in note 21 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.

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. 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 Group.

(y) Fair value measurement

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

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

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

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For further details on fair value measurement refer to notes 9.8 and 10.8.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Significant judgements

Acquisition of storage centre assets
For the acquisition of storage centres, the Group's policy is to review the nature of the transaction and assess if the transaction should be accounted for under *AASB 3 Business Combinations* or *AASB 140 Investment Properties* as a purchase of investment property. The key assessment is whether the transaction constitutes a purchase of a 'business', and if so, it will be accounted for under AASB 3. If it is determined that the transaction does not meet this definition, the transaction is accounted for as a purchase of an asset under AASB 140, as an

acquisition of a storage centre(s) held for rental return and capital appreciation.

As described in note 2(c), the Group has adopted the amendments to a definition of a business contained in AASB 2018-6. This provides clarity on what is considered as a business and adds an operational concentration test that simplifies the assessment of whether an acquired set of activities and assets is not a business.

For the years ended 30 June 2020 and 30 June 2019, the Group has assessed that all of its storage centre acquisitions do not meet the definitions set out in AASB 3 and are therefore accounted for as purchases of investment property per AASB 140.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease considering factors that create an economic incentive to exercise either the renewal or termination clause. The Group included the extension period as part of the lease term for leases of investment property. The Group typically exercises its option to renew these leases due to the economic value derived from the operating business located at these premises. The renewal period for the lease of head office premises is not included as part of the lease term as there is no reasonable certainty that this will be exercised at the end of the initial contractual term.

Deferred income tax
Deferred tax assets are recognised by the 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.

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.

Classification of joint arrangements
The NSPT Group holds a 25% interest in the Bundall Storage Trust, and the NSH Group holds a 25% interest in the Bundall Commercial Trust and the TBF & NS trust.
In each arrangement, investments are classified as joint ventures as all parties are subject to a Securityholders Agreement that has been contractually structured such that each party has equal representation on the advisory board responsible for the overall direction and supervision of each trust. Decisions about the relevant activities require the unanimous consent of the parties sharing control.

Estimates and assumptions

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

Assumptions and estimates are based on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about the future developments may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss under fair value adjustments. Fair values are determined by a combination of independent valuations assessed on a rotational basis and Director valuations, determined using the same techniques and similar estimates to those applied by the independent valuer. The key assumptions used to determine the fair value of the properties and the sensitivity analyses are provided in note 10.8.

Impairment of non-financial assets – intangibles
An impairment exists when the carrying value of an asset or 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 the fair value of the Group's stapled securities as listed on the Australian Securities Exchange which has been assessed as one CGU for goodwill impairment assessment purposes, less costs of disposal.

4. SEGMENT INFORMATION

During the 2020 and 2019 financial years, the Group operated wholly within one business segment being the operation and management of storage centres in Australia and New Zealand.

The Managing Director is the Group's chief operating decision maker and monitors the operating results on a portfolio wide basis. Monthly management reports are evaluated based upon the overall performance of NSR consistent with the presentation within the consolidated financial statements. The Group's financing (including finance costs and interest income) are managed on a Group basis and not allocated to operating segments.

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

Geographic information

	2020 $'000	2019 $'000
Revenue from external customers		
Australia	156,188	144,621
New Zealand	20,453	13,036
Total	176,641	157,657

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

Geographic information

	2020 $'000	2019 $'000
Non-current operating assets		
Australia	2,172,640	1,881,060
New Zealand	283,211	239,518
Total	2,455,851	2,120,578

Non-current assets for this purpose consists of property, plant and equipment, investment properties and intangible assets (excluding goodwill).

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

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Sale of goods and services	5,465	5,137
Agency fees and commissions	3,295	2,330
Design and development fees	2,868	3,544
Management fees	935	2,499
Total revenue from contracts with customers	12,563	13,510

6. EXPENSES

	Notes	2020 $'000	2019 $'000
Other operational expenses			
Professional fees		2,337	2,025
Information technology costs		2,448	1,904
Cost of packaging and other products sold		2,650	1,839
Communications costs		1,686	1,688
Bank charges		1,270	965
Motor vehicle expenses		631	771
Depreciation		1,108	395
Amortisation of intangible assets	10.5	490	584
Travel and entertainment costs		754	630
Other expenses		1,521	1,090
Total other operational expenses		14,895	11,891
Employee expenses			
Wages and salaries		25,580	22,069
Post-employment benefits		2,157	1,955
Other employee costs		4,348	4,720
Total employee expenses		32,085	28,744

7. INTEREST INCOME AND FINANCE COSTS

	2020 $'000	2019 $'000
Interest income		
Bank interest	340	797
Interest income from related parties	932	734
Total interest income	1,272	1,531
Finance costs		
Interest on borrowings	23,599	25,838
Reclassification from cash flow hedge reserve to statement of profit or loss (see note 14)	7,764	94
Interest on lease liabilities relating to investment property	7,925	7,815
Interest on other lease liabilities	113	-
Total finance costs	39,401	33,747

8. INCOME TAX

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

The major components of income tax (benefit) / expense for the years ended 30 June 2020 and 30 June 2019 are:

	Notes	2020 $'000	2019 $'000
Consolidated statement of profit or loss			
Current tax		1,453	1,703
Deferred tax		(2,908)	(1,491)
Adjustment in relation to prior periods		(810)	59
Total income tax (benefit) / expense		(2,265)	271
Deferred tax relating to items recognised in other comprehensive income during the year			
Net gain/ (loss) on revaluation of cash flow hedges	14	413	(290)
Deferred tax relating to items recognised in statement of changes in equity during the year			
Cost of issuing share capital		(180)	(207)
Reconciliation of tax expense and accounting profit multiplied by Australia's domestic tax rate for 2020 and 2019:			
Profit before tax		119,514	145,111
Deduct profit before tax from Trusts owning Australian properties		(95,034)	(136,002)
Accounting profit before income tax		24,480	9,109
Tax at the Australian tax rate of 30% (2019 – 30%)		7,344	2,733
Non-deductible / assessable amounts		1,876	498
Deductible / non-assessable amounts		(9,962)	(2,594)
Adjustments in respect of previous years		(810)	59
Effect of lower tax rates in New Zealand		(688)	(83)
Recognition of previously unrecognised tax losses		(25)	(342)
Income tax (benefit) / expense		(2,265)	271

	2020 $'000	2019 $'000
Deferred tax benefit included in income tax benefit comprises:		
Increase in deferred tax assets	(30,963)	(85,700)
Increase in deferred tax liabilities	28,502	84,230
Movement of deferred tax asset on carry forward losses shown in current tax expense	(241)	(487)
Exchange variations	27	(31)
Movement in deferred tax asset recognised in other comprehensive income	(413)	290
Movement in deferred tax asset recognised in statement of changes in equity	180	207
Total deferred tax benefit	(2,908)	(1,491)
Deferred tax assets and liabilities		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Lease liabilities	306,214	274,105
Employee benefits	596	669
Accrued expenses	451	516
Carry forward losses	1,283	1,499
Make good provisions	649	434
Revaluation of cash flow hedges	3	425
Revaluation of investment property assets	2,419	2,970
Other	388	422
Total deferred tax assets	312,003	281,040
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Right of use assets	1,878	-
Trade and other receivables	125	532
Intangibles	215	305
Revaluations of investment properties	305,438	278,276
Unrealised foreign exchange losses	3	44
Total deferred tax liabilities	307,659	279,157
Net deferred tax assets	4,344	1,883
Reconciliation to statement of financial position		
Deferred tax assets	7,041	2,980
Deferred tax liabilities	(2,697)	(1,097)
Net deferred tax assets	4,344	1,883

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

The group has the following gross tax losses which arose in Australia:

	2020 $'000	2019 $'000
Recognised group tax losses	4,278	4,998
Unrecognised group tax losses	4,244	4,325
Total	8,522	9,323

These losses are available for offsetting against future taxable profits of the NSH Australian tax group. These losses are subject to the satisfaction of the same business test and a reduced rate of utilisation under the 'available fraction' rules (see note 3).

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

	Notes	2020 $'000	2019 $'000
Financial assets			
At amortised cost			
Cash and cash equivalents	9.1	90,352	178,842
Trade and other receivables	9.2	16,493	19,856
Deposits	9.3	2,293	1,178
		109,138	199,876
Measured at fair value			
Derivatives used for hedging	9.3	19	569
Total financial assets		109,157	200,445
Financial liabilities			
At amortised cost			
Trade and other payables	9.4	14,875	18,993
Borrowings	9.5	681,063	847,838
Lease liabilities	9.7	170,593	169,154
		866,531	1,035,985
Measured at fair value			
Derivatives used for hedging	9.6	407	2,088
Total financial liabilities		866,938	1,038,073

The Group's approach to financial risk management is discussed in note 15. 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.

All derivatives relate to interest rate swaps and forward currency exchange contracts held by the group. These have been designated as cash flow hedges and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

9.1. Cash and cash equivalents

	2020 $'000	2019 $'000
Current assets		
Cash on hand	2	50
Cash at bank	90,350	178,792
Total cash and cash equivalents	90,352	178,842

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

	2020 $'000	2019 $'000
Profit after income tax	121,779	144,840
Income tax (benefit) / expense	(2,265)	271
Profit before tax	119,514	145,111
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	1,108	395
Amortisation of intangible assets presented within restructuring and other non-recurring costs	490	584
Derecognition of intangible assets	651	-
Fair value adjustments	(63,019)	(84,663)
Share of loss / (profit) from joint ventures and associates	491	(3,171)
Loss on disposal of property, plant and equipment	-	8
Interest income	(1,272)	(1,531)
Finance costs	39,401	33,746
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(2,530)	1,118
Increase in inventories	(151)	(26)
Increase in other assets	(2,341)	(1,780)
(Decrease) / increase in payables	(1,796)	2,128
(Decrease) / increase in deferred revenue	(483)	135
(Decrease) / increase in provisions	(249)	387
Cash flows from operating activities	**89,814**	**92,441**
Interest received	1,202	2,024
Income tax paid	(1,538)	(1,153)
Net cash flows from operating activities	**89,478**	**93,312**

9.2. Trade and other receivables

	Notes	2020 $'000	2019 $'000
Current			
Trade receivables		4,035	3,770
Other receivables		4,681	4,223
Receivables from related parties	17	7,448	11,880
Allowance for expected credit losses on trade receivables		(189)	(135)
		15,975	19,738
Non-current			
Other receivables		518	118
Total current and non-current		16,493	19,856

Classification as trade and other receivables

Trade receivables are amounts due from customers for rental income, goods sold or services performed in the ordinary course of business. Other receivables are held to collect contractual cash flows of solely payments of principal and interest. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The allowance for expected credit losses represents an estimate of receivables that are not considered to be recoverable. The Group recognises an expected loss provision based on lifetime expected credit losses at each reporting date. The Group applies significant judgement in assessing this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivable, and wider economic factors including counter party risk.

See note 17 for terms and conditions relating to related party receivables.

See below for the movements in the allowance for expected credit losses in the Group.

	2020 $'000	2019 $'000
At 1 July	135	23
Charge for the year	107	165
Utilised	(53)	(53)
At 30 June	189	135

The age of trade receivables not impaired was as follows:

	2020 $'000	2019 $'000
0 to 3 months	3,096	3,534
3 to 6 months	589	82
Over 6 months	161	19
	3,846	3,635

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

	2020 $'000	2019 $'000
Current		
Deposits	2,293	1,178
Prepayments	8,176	5,836
	10,469	7,014
Non-current		
Financial assets (derivatives)	19	569
Total current and non-current	10,488	7,583

For details on the classification of financial instruments see note 9.

9.4. Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	939	3,486
Accrued expenses	11,457	6,706
GST and employment taxes payable	1,067	2,644
Other payables	1,412	6,157
Total	14,875	18,993

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

9.5. Borrowings

	2020 $'000	2019 $'000
Non-current		
Bank finance facilities	681,063	847,838
Non-amortised borrowing costs	(3,361)	(3,911)
Total borrowings	677,702	843,927

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

	2020 $'000	2019 $'000
Bank finance facilities (AUD)		
Drawn amount	485,000	663,800
Facility limit	830,000	680,000
Bank finance facilities (NZD)		
Drawn amount	209,750	192,250
Facility limit	226,750	196,750
AUD equivalent of NZD facilities		
Drawn amount	196,063	184,038
Facility limit	211,954	188,346

The major terms of these agreements are as follows:

- At 30 June 2020 maturity dates on these facilities range from 23 July 2021 to 23 December 2026. (30 June 2019: maturity dates from 23 July 2020 to 23 December 2026).
- The interest rate applied is the bank bill rate plus a margin depending on the gearing ratio.
- Security has been granted over the Group's freehold investment properties.

The Group has a bank overdraft facility with a limit of $3m that was undrawn at 30 June 2020 and 30 June 2019. During the year ended 30 June 2020, the Group refinanced part of the existing debt facilities, and increased its club banking facilities by AUD $150m and NZD $30m. (Year ended 30 June 2019 the Group converted an existing AUD facility of $25m into an NZD facility of $25.75m and facilities increased by $100m AUD and $50m NZD).

The Group have complied with the financial covenants of their borrowing facilities during the 2020 and 2019 reporting periods (see note 16). 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 15.

Interest rate swaps
The Group has the following interest rate swaps in place as at the end of the reporting period:

	2020 $'000	2019 $'000
Interest rate swaps (AUD) at face value		
Current interest rate swaps	460,000	400,000
Future interest rate swaps	25,000	275,000
Interest rate swaps (NZD) at face value		
Current interest rate swaps	50,000	73,500
Future interest rate swaps	-	50,000
AUD equivalent of NZD interest rate swaps		
Current interest rate swaps	46,737	70,361
Future interest rate swaps	-	47,864

Interest rate swaps in place at the end of the reporting period have maturity dates ranging from 23 September 2020 to 23 September 2026 (2019: 23 September 2019 to 23 September 2026).

During the current and prior year, the Group reset the interest rates associated with AUD and NZD denominated interest rate swaps. For the year ended 30 June 2020 this resulted in a cash outflow of $14.3m (30 June 2019: $22.9m) which reduced the Group's financial liability presented in note 9.8.

The cumulative change in fair value of these hedging instruments is carried in a separate reserve in equity (cash flow hedge reserve of NSPT presented within non-controlling interest in the Group's consolidated statement of changes in equity). This balance will be amortised from the hedge reserve to finance costs in the statement of profit and loss in future reporting periods corresponding to when the underlying hedged item impacts profit or loss. For the year ended 30 June 2020 $7.8m (30 June 2019: $0.1m) has been recognised in finance costs relating to this item (see note 7).

Hedge of net investments in foreign operations
Included in borrowings at 30 June 2020, amounts totalling NZD $51.9m (AUD $48.5m) have been designated as a hedge of the net investments against the value of the New Zealand tangible assets (2019: NZD $47.9m, (AUD $45.9m)). These borrowings are being used to hedge the Group's exposure to the NZD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no hedge ineffectiveness in the years ended 30 June 2020 or 30 June 2019 recognised in the statement of profit or loss.

9.6. Other liabilities

	Notes	2020 $'000	2019 $'000
Current financial liabilities			
Interest rate swaps	9.8	50	239
Forward currency exchange contract	9.8	-	474
		50	713
Non-current financial liabilities			
Interest rate swaps	9.8	357	1,375
Total current and non-current		407	2,088

For details on the classification of financial instruments see note 9.

9.7. Right of use assets and lease liabilities

The right of use assets and lease liabilities have arisen upon adoption of AASB 16 from 1 July 2019. Refer to note 2c for further information.

a) Right of use assets

	Premises leases $'000	Equipment leases $'000	Advertising leases $'000	Total $'000
Adjustments on the adoption of AASB 16	-	1,072	14	1,086
Additions in the year ended 30 June 2020	6,165	-	-	6,165
Depreciation charge	(423)	(282)	(6)	(711)
Closing balance at 30 June 2020	5,742	790	8	6,540

b) Lease liabilities

	30 June 2020 $'000	1 July 2019 $'000
Current lease liabilities		
Lease liabilities relating to right of use assets	980	271
Lease liabilities relating to right of use assets presented as leasehold investment properties	5,031	5,327
Total current lease liabilities	6,011	5,598
Non-current lease liabilities		
Lease liabilities relating to right of use assets	5,722	815
Lease liabilities relating to right of use assets presented as leasehold investment properties	158,860	163,827
Total non-current lease liabilities	164,582	164,642
Total lease liabilities	170,593	170,295

The Group has several lease contracts that include extension and termination options. The Group has included the extension period as part of the lease term for leases of investment property in the table above. The Group has an option to extend its lease of head office, this has not been included as part of the lease term as there is no reasonable certainty that this will be exercised at the end of the initial contractual term. Had the extension period been recognised the Group's lease liabilities at 30 June 2020 would have increased by $3.4m.

	30 June 2020 $'000	30 June 2019 $'000
Amounts recognised in statement of profit or loss:		
Depreciation expense of right of use assets	711	-
Interest expense on lease liabilities	8,038	7,815
Expenses relating to short term leases presented within premises costs	416	567
Lease diminution on leasehold investment properties presented within fair value adjustments	3,326	3,548
Total	12,491	11,930

Group as a lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	30 June 2020 $'000	30 June 2019 $'000
Within one year	4,385	4,144
After one year but not more than five years	11,891	13,309
More than five years	10,562	12,247
Total	26,838	29,700

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, adjusted for counterparty or own credit risk.
- The fair value of forward currency exchange contracts is based on market observable inputs to obtain a present value. Incorporated into the calculation are various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

The resulting fair value estimates for interest rate swaps are included in level 2.

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2020					
Derivatives used for hedging - interest rate swaps					
Non-current financial assets	9.3	-	19	-	19
Current financial liabilities	9.6	-	(50)	-	(50)
Non-current financial liabilities	9.6	-	(357)	-	(357)
		-	(388)	-	(388)
At 30 June 2019					
Derivatives used for hedging – forward currency exchange contract					
Current financial liabilities	9.6	-	(474)	-	(474)
Derivatives used for hedging - Interest rate swaps					
Non-current financial assets	9.3	-	569	-	569
Current financial liabilities	9.6	-	(239)	-	(239)
Non-current financial liabilities	9.6	-	(1,375)	-	(1,375)
		-	(1,045)	-	(1,045)

There were no transfers between levels of fair value hierarchy during the years ended 30 June 2020 and 30 June 2019.

10. NON-FINANCIAL ASSETS AND LIABILITIES

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

- An overview of all non-financial assets and liabilities held by the Group;
- Specific information about each type of non-financial asset and non-financial liability; and
- Information about determining the fair value of the non-financial assets and liabilities, including areas of judgement, estimates and other assumptions.

10.1. Inventories

	2020 $'000	2019 $'000
Finished goods - at lower of cost and net realisable value	833	682

10.2. Assets held for sale

	Notes	2020 $'000	2019 $'000
Current assets			
Opening balance at 1 July		1,107	5,713
Item reclassified from freehold investment properties	10.4	-	2,068
Item reclassified to freehold investment properties	10.4	-	(5,713)
Disposals during the year		(1,107)	(961)
Closing balance at 30 June		-	1,107

As at 30 June 2019, the Group held an agreement for the sale of commercial investment property in Dunedin, New Zealand for NZD $1.3m less cost of sale of NZD $0.1m (AUD $1.1m). This transaction settled on 20 September 2019.

10.3. Property, plant and equipment

	2020 $'000	2019 $'000
At cost	2,538	1,911
Accumulated depreciation	(1,447)	(1,055)
Total property, plant and equipment	1,091	856

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial period is shown below:

	2020 $'000	2019 $'000
Plant and equipment		
Carrying amount at beginning of the year	856	1,024
Additions	633	233
Disposals	-	(8)
Depreciation	(397)	(395)
Effect of movement in foreign exchange	(1)	2
Carrying amount at end of the year	1,091	856

10.4. Investment properties

	Notes	2020 $'000	2019 $'000
Leasehold investment properties	10.8	201,202	215,279
Freehold investment properties in operation	10.8	2,180,299	1,874,698
Freehold investment properties under construction		70,584	27,199
Total investment properties		2,452,085	2,117,176
Leasehold investment properties			
Opening balance at 1 July		215,279	207,664
Property acquisitions		-	10,911
Improvements to investment properties		439	417
Reassessment of lease terms		82	8,196
Lease diminution, presented as fair value adjustments		(3,326)	(3,548)
Net loss from other fair value adjustments		(11,272)	(8,361)
Closing balance at 30 June		201,202	215,279
Freehold investment properties in operation			
Opening balance at 1 July		1,874,698	1,377,924
Property acquisitions		216,104	381,319
Disposal of freehold investment property		(3,984)	(26,000)
Improvements to investment properties		7,661	9,301
Items reclassified to freehold investment property under construction		(4,188)	-
Items reclassified from freehold investment property under construction		17,448	26,972
Items reclassified to assets held for sale	10.2	-	(2,068)
Items reclassified from assets held for sale	10.2	-	5,713
Net gain from fair value adjustments		78,338	97,232
Effect of movement in foreign exchange		(5,778)	4,305
Closing balance at 30 June		2,180,299	1,874,698
Freehold investment property under construction			
Opening balance at 1 July		27,199	7,210
Property acquisitions		15,061	33,122
Development costs		42,090	13,839
Items reclassified to freehold investment properties		(17,448)	(26,972)
Items reclassified from freehold investment properties		4,188	-
Effect of movement in foreign exchange		(506)	-
Closing balance at 30 June		70,584	27,199

	2020 $'000	2019 $'000
Gains for the year in profit or loss (recognised in fair value adjustments)		
Realised gains	2,944	2,737
Realised losses – lease diminution of leasehold property	(3,326)	(3,548)
Unrealised gains associated with investment property	64,122	86,134
Movement in provisions presented in fair value adjustments	(721)	(660)
	63,019	84,663

Included within net gain from fair value adjustments are realised gains of $3m relating to the divestment of freehold investment properties during the year ended 30 June 2020 (30 June 2019: realised gain of $2.7m relating to leasehold investment properties and $1.1m relating to freehold investment properties).

10.5. Intangible assets

	Notes	2020 $'000	2019 $'000
Goodwill			
Opening and closing net book value		43,954	43,954
Other intangible assets			
Opening net book value		2,546	2,051
Additions		1,270	1,079
Derecognition losses presented within restructuring and other non-recurring costs		(651)	-
Amortisation	6	(490)	(584)
Closing net book value		2,675	2,546
Total intangible assets		46,629	46,500

Impairment testing of goodwill

Goodwill has been allocated to the listed group (NSR). Management have determined that the listed group, which is considered one operating segment (see note 4), is the appropriate CGU against which to allocate these intangible assets owing to the synergies arising from combining the portfolios of the 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 2020, NSR had 1,013,740,178 stapled securities quoted on the Australian Securities Exchange at $1.845 per security providing a market capitalisation of $1,870m. This amount is in excess of the carrying amount of the Group's net assets at 30 June 2020. Had the security price decreased by 5% the market capitalisation would still have been in excess of the carrying amount.

10.6. Deferred revenue

	2020 $'000	2019 $'000
Deferred revenue from rental income	12,236	12,719

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

10.7. Provisions

	2020 $'000	2019 $'000
Current		
Make good provisions	619	301
Annual leave	905	1,166
Long service leave	936	996
	2,460	2,463
Non-current		
Make good provisions	2,506	1,888
Long service leave	149	76
	2,655	1,964
Reconciliation of movement in make good provisions		
As at 1 July	2,189	1,592
Arising during the year	660	318
Changes in discount rates	22	342
Unwinding of discount rates	254	94
Utilised	-	(157)
As at 30 June	3,125	2,189

The Group is required to restore the leased premises in a number of leasehold properties 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.

10.8. Non-financial assets fair value measurement

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

	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2020					
Leasehold investment properties	10.4	-	-	201,202	201,202
Freehold investment properties	10.4	-	-	2,180,299	2,180,299
		-	-	2,381,501	2,381,501
At 30 June 2019					
Assets held for sale	10.2	-	1,107	-	1,107
Leasehold investment properties	10.4	-	-	215,279	215,279
Freehold investment properties	10.4	-	-	1,874,698	1,874,698
		-	1,107	2,089,977	2,091,084

Recognised fair value measurements

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 or between levels 2 and 3 for recurring fair value measurements during the year. In the prior year ended 30 June 2019 the Group transferred $1.1m from level 3 to level 2 and $5.7m from level 2 to level 3 following the reclassification of assets between freehold investment properties and assets held for sale (see note 10.2).

Fair value measurements using significant observable inputs (level 2)

The fair value of assets held for sale is determined using valuation techniques which maximise the use of observable market data. For the year ended 30 June 2019, the Group valued assets classified as held for sale at the contractually agreed sale price less estimated cost of sale or other observable evidence of market value.

Fair value measurements using significant unobservable inputs (level 3)

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

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

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

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

At 30 June 2020, the Group has completed updated valuations for all leasehold and freehold investment properties held at 31 December 2019 to reflect the changes observed in current market conditions which impact the key inputs of property valuations. Freehold investment properties acquired in the last six months have been held at acquisition price.

The table below details the percentage of the number of investment properties subject to internal and external valuations at 30 June 2020 and 30 June 2019.

	External valuation %	Internal valuation %
At 30 June 2020		
Leasehold	38%	62%
Freehold	31%	69%
At 30 June 2019		
Leasehold	23%	77%
Freehold	38%	62%

Valuation inputs and relationship to fair value

Description	Valuation technique	Significant unobservable inputs	Range at 30 June 2020	Range at 30 June 2019
Investment properties - leasehold	Capitalisation method	Primary capitalisation rate	7.3% to 18.0%	7.5% to 40.5%
		Secondary capitalisation rate	7.8% to 19.0%	8.0% to 41.0%
		Sustainable occupancy	85% to 95%	83% to 93%
		Stabilised average EBITDA	$331,546	$364,642
Investment properties - freehold	Capitalisation method	Primary capitalisation rate	5.5% to 8.2%	6.0% to 8.2%
		Secondary capitalisation rate	6.0% to 8.6%	6.5% to 9.3%
		Sustainable occupancy	73% to 95%	74% to 98%
		Stabilised average EBITDA	$923,427	$912,261

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

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

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

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

At 30 June 2020:

	Leasehold		Freehold	
Unobservable inputs	**Increase/ (decrease) in input**	**Increase/ (decrease) In fair value $'000**	**Increase/ (decrease) in input**	**Increase/ (decrease) in fair value $'000**
Primary capitalisation rate	1% / (1%)	(2,000) / 2,530	1% / (1%)	(226,290) / 311,570
Secondary capitalisation rate	2% / (2%)	(3,300) /5,190	2% / (2%)	(123,160) / 218,030
Sustainable occupancy	5% / (5%)	5,130 / (4,410)	5% / (5%)	119,620 / (107,750)
Stabilised average EBITDA	5% / (5%)	1,750 / (1,770)	5% / (5%)	99,000 / (95,190)

At 30 June 2019:

	Leasehold		Freehold	
Unobservable inputs	**Increase/ (decrease) in input**	**Increase/ (decrease) In fair value $'000**	**Increase/ (decrease) in input**	**Increase/ (decrease) in fair value $'000**
Primary capitalisation rate	1% / (1%)	(3,790) / 4,710	1% / (1%)	(188,200) / 254,780
Secondary capitalisation rate	2% / (2%)	(2,830) / 4,370	2% / (2%)	(90,560) / 156,620
Sustainable occupancy	5% / (5%)	7,370 / (5,740)	5% / (5%)	114,620 / (81,010)
Stabilised average EBITDA	5% / (5%)	2,530 / (2,530)	5% / (5%)	83,770 / (74,650)

11. INFORMATION RELATING TO SUBSIDIARIES

The ultimate holding company of the Group is National Storage Holdings Limited. This entity is domiciled in Australia.

The consolidated financial statements of the Group as at 30 June 2020 include:

Name of controlled entity	**Place of incorporation**	**Equity interest 2020**	**2019**
National Storage (Operations) Pty Ltd	Australia	100%	100%
National Storage Financial Services Limited	Australia	100%	100%
Wine Ark Pty Ltd	Australia	100%	100%
Southern Cross Storage Operations Pty Ltd	Australia	100%	100%
National Storage Investments Pty Ltd	Australia	100%	100%
National Storage Limited	New Zealand	100%	100%
National Storage Investment Trust	Australia	100%	100%
National Storage Victorian Property Trust	Australia	100%	100%
National Storage New Zealand Property Trust*	Australia	100%	100%
National Storage Southern Trust	Australia	100%	100%

In addition, the result of NSPT has been consolidated due to the stapling arrangement between NSPT and NSH which constitutes NSR. Equity attributable to NSPT is presented as non-controlling interest.

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

12. INTEREST IN JOINT VENTURES AND ASSOCIATES

Interest in joint ventures

	2020 $'000	**2019 $'000**
Opening balance at 1 July	4,343	7,432
Acquisition of shareholding / capital contribution in joint venture	2,030	3,499
Share of (loss) / profit from joint ventures	(243)	1,476
Distributions received from joint venture	-	(5,064)
Disposal of units in joint venture	-	(3,000)
Closing balance at 30 June	6,130	4,343

The NSPT Group holds a 25% interest in the Bundall Storage Trust, and the NSH Group holds a 25% interest in the Bundall Commercial Trust and the TBF & NS Trust.

During the year ended 30 June 2020, the Group subscripted to 25% of the units in the TBF & NS Trust for $2m. The TBF & NS Trust subsequently purchased a development site for a storage centre and commercial property in Queensland, Australia. As at 30 June 2020, this centre remains under construction.

The Bundall Commercial Trust derives rental property income from the leasing of commercial units and the Bundall Storage Trust develops investment property. As at 30 June 2020, the Bundall Storage Trust has one storage centre investment property under construction.

During the prior year ended 30 June 2019, the Group made an additional equity contribution of $1.3m into the Bundall Storage Trust and $2.2m into the Bundall Commercial Trust. The Group also acquired two storage centre investment property assets from the Bundall Storage Trust for $43.7m and sold a development site to the Bundall Storage Trust for $8.2m and associated commercial units to the Bundall Commercial Trust for $17.8m. There was no change in the share of the Group's interest following these transactions.

During the year ended 30 June 2019, the Group sold its units in FKS Investments No.2 Unit Trust for $3m.

These investments are classified as joint ventures as all parties are subject to a Securityholders Agreement that has been contractually structured such that the parties to the agreement have equal representation on the advisory board responsible for the overall direction and supervision of each trust.

Interest in associates

	2020 $'000	2019 $'000
Opening balance at 1 July	12,388	10,693
Capital contribution in associate	500	-
Share of profit from associates*	(248)	1,695
Distributions from associate	(10,319)	-
Closing balance at 30 June	2,321	12,388

** Included within share of profit from associates in the year ended 30 June 2019 was $1.9m representing NSR's share of fair value gains related to investment properties held by associates. For the year ended 30 June 2020, there were no gains included within share of profit from associates.*

As at 30 June 2019, the Group owned 24.9% of the Australia Prime Storage Fund ("**APSF**"). During the year ended 30 June 2020, the Group purchased three storage centre investment properties in Australia from APSF for $64m. Following these transactions, the Group received distributions from APSF totalling $10.3m and the APSF entities were subsequently dissolved.

The Group holds a 25.9% (30 June 2019: 24%) holding in Spacer Marketplaces Pty Ltd ("**Spacer**"). Spacer operate online peer-to-peer marketplaces for self-storage and parking. During the year ended 30 June 2020, the Group made a capital contribution of $0.5m into Spacer as part of an equity raise.

See note 17 for fees received and purchases from joint ventures and associates. None of the Group's joint ventures or associates are listed on any public exchange.

13. CONTRIBUTED EQUITY

	2020 $'000	2019 $'000
Issued and paid up capital	133,169	83,692
Contract for future issue of equity	-	16,451
Total contributed equity	133,169	100,143

Number of stapled securities on Issue	**2020**	**2019**
Opening balance at 1 July	673,928,751	559,107,042
Institutional and retail placements	329,205,527	105,677,937
Distribution reinvestment plan	10,606,620	9,143,772
Closing balance at 30 June	1,013,740,898	673,928,751

Capital raises

On 25 June 2019 in the prior year, the Group announced a fully underwritten $170m equity raising. Proceeds were received on 28 June 2019 resulting in the issue of 99,415,205 new stapled securities on 1 July 2019. On 25 June 2019, the Group also announced a non-underwritten security purchase plan. This completed on 30 July 2019, raising $13.5m and resulted in the issue of 7,917,735 new stapled securities.

On 5 May 2020, the Group announced a fully underwritten $300m equity raising and non-underwritten security purchase plan raising $48.3m. This resulted in the issue of 191,082,083 new stapled securities on 11 May 2020 and 30,789,784 new stapled securities on 9 June 2020. The issue price represented a discount of 7.1% on the last closing price of NSR stapled securities on 4 May 2020.

Distribution reinvestment plan

During the year, 10,606,620 (2019: 9,143,772) stapled securities were issued to securityholders participating in the Group's Distribution Reinvestment Plan for consideration of $19.7m (2019: $16.2m). The stapled securities were issued at the volume weighted average market price of the Group's stapled securities over a period of ten trading days, less a 2% discount.

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

14. OTHER RESERVES

	2020 $'000	2019 $'000
Foreign currency translation reserve		
Opening balance at 1 July	(27)	(12)
Foreign exchange translation differences	37	(15)
Closing balance at 30 June	10	(27)

The financial statements for the Group are prepared on the basis that NSH was the acquirer of NSPT. On this basis, foreign currency translation reserve movements relating to the NSH Group are presented within other reserves. The movements below in foreign currency translation reserve and cashflow hedge reserve relating to the NSPT Group are presented within non-controlling interest in the Group's consolidated statement of changes in equity.

	NSPT Group	
	2020 $'000	2019 $'000
Foreign currency translation reserve		
Opening balance at 1 July	758	(115)
Net investment hedge	1,127	(1,591)
Foreign exchange translation differences	(2,895)	2,464
Closing balance at 30 June	(1,010)	758
Cash flow hedge reserve		
Opening balance at 1 July	(23,881)	(2,073)
Revaluation of cash flow hedges	(13,208)	(22,189)
Reclassification to statement of profit or loss (see note 7)	7,764	91
Taxation impact on revaluation	(413)	290
Closing balance at 30 June	(29,738)	(23,881)
Other reserves	(30,748)	(23,123)

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

In the year ended 30 June 2020, the Group reset the interest rates associated with AUD and NZD denominated interest rate swaps designated as cash flow hedges. This resulted in a cash outflow of $14.3m which reduced the Group's financial liability as presented in note 9.8. (30 June 2019: $22.9m). In accordance with AASB 9 *Financial instruments,* as the nature of the underlying hedged instrument is unchanged the fair value of this outflow remains in the cash flow hedge reserve and will be amortised to the statement of profit or loss in future periods relating to the profile of the original instrument.

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

The cash flow hedge is included in non-controlling interest in the Consolidated Group.

15. FINANCIAL RISK MANAGEMENT

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses derivative financial instruments such as interest rate swaps to hedge certain market risk exposures.

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

Derivatives

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

	Notes	2020 $'000	2019 $'000
Forward currency exchange contract designated as cash flow hedges presented in:			
Current liabilities	9.6	-	(474)
Interest rate swaps designated as cash flow hedges presented in:			
Non-current assets	9.3	19	569
Current liabilities	9.6	(50)	(239)
Non-current liabilities	9.6	(357)	(1,375)
Net liability		(388)	(1,045)

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

The Group's accounting policy for cash flow hedges is set out in note 2(m). For hedged forecast transactions that result in the recognition of a non-financial asset, the Group has included related hedging gains and losses in the initial measurement of the cost of the asset. The ineffectiveness recognised in the statement of profit or loss was immaterial.

Fair value measurement
For information about the methods and assumptions used in determining fair values of derivatives refer to note 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, debt and equity investments, and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 30 June 2020 and 30 June 2019. The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant on the basis of hedge designations in place at 30 June 2020.

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

The following assumptions have been made in calculating sensitivity analysis:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets held at 30 June 2020 and 30 June 2019 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 30 June 2020 for the effects of the assumed changes of the underlying risk.

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2020, after taking into account the effect of interest rate swaps, 74.4% (2019: 55.8%) of the Group's borrowings are at a fixed rate of interest.

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

	Increase/ decrease in basis points	Effect on profit before tax $'000
2020		
Australian dollar denominated debt	+50	(852)
New Zealand dollar denominated debt	+50	(692)
Australian dollar denominated debt	-50	852
New Zealand dollar denominated debt	-50	692
2019		
Australian dollar denominated debt	+50	(718)
New Zealand dollar denominated debt	+50	(254)
Australian dollar denominated debt	-50	718
New Zealand dollar denominated debt	-50	254

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency), and the Group's net investment in foreign subsidiaries.

The Group hedges its exposure to fluctuations on the translation into Australian dollars of its foreign operations by holding net borrowings in foreign currencies.

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in New Zealand Dollar exchange rate with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to net investment hedges.

	Change in NZD rate	Effect on profit before tax $'000	Effect on pre-tax equity $'000
2020	+5%	(1,574)	(3,629)
	-5%	1,574	4,509
2019	+5%	(165)	(2,412)
	-5%	183	2,649

The movement in the profit before tax is a result of a change in the fair value of the monetary assets and liabilities denominated in NZD.

The movement in pre-tax equity arises from changes in NZD borrowings in the hedge of net investments in New Zealand operations and cash flow hedges. These movements will offset the translation of New Zealand operations' net assets into AUD.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Trade receivables
The exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of each customer. The Group's customer credit risk is managed by requiring customers to pay monthly rentals in advance. 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 credit concerns reviewed.

The allowance for expected credit losses represents an estimate of trade receivables that are not considered to be recoverable. For the year ended 30 June 2020, the Group has recognised an expected loss provision of $189,000 (30 June 2019: $135,000) based on lifetime expected credit losses at each reporting date. The Group assesses this allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to classification groups of receivables.

Cash and cash equivalents
The Group's credit risk on cash and cash equivalents is limited as 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 2020 and 30 June 2019 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 18, 21, and 22). 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 have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. NSH on behalf of the Group has established a number of policies and processes for managing liquidity risk. These include:

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

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

	2020 $'000	2019 $'000
Expiring within one year (bank overdraft)	3,000	3,000
Expiring beyond one year (loans)	360,891	20,508
	363,891	23,508

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. All other secured bank loans may be drawn at any time and is subject to an annual review. Further details of the bank loans are detailed in notes 9.5 and 16.

Maturity of financial liabilities

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

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2020						
Non-derivatives						
Trade and other payables	558	14,037	280	-	-	**14,875**
Borrowings	-	4,026	12,046	655,188	61,876	**733,136**
Lease liabilities	-	3,576	10,876	17,386	267,308	**299,146**
Distribution payable	-	34,467	-	-	-	**34,467**
Total non-derivatives	558	56,106	23,202	672,574	329,184	**1,081,624**
Derivatives						
Inflows	-	(480)	(1,159)	(4,137)	(412)	**(6,188)**
Outflows	-	688	1,651	4,195	93	**6,627**
Total derivatives	-	208	492	58	(319)	**439**
	558	56,314	23,694	672,632	328,865	**1,082,063**

	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2019						
Non-derivatives						
Trade and other payables	236	18,757	-	-	-	**18,993**
Borrowings	-	6,272	17,527	573,698	355,223	**952,720**
Lease liabilities	-	3,236	9,982	53,552	237,618	**304,388**
Distribution payable	-	34,370	-	-	-	**34,370**
Total non-derivatives	236	62,635	27,509	627,250	592,841	**1,310,471**
Derivatives						
Inflows	-	(1,365)	(3,459)	(14,600)	(3,412)	**(22,836)**
Outflows	-	1,645	5,020	16,116	2,643	**25,424**
Total derivatives	-	280	1,561	1,516	(769)	**2,588**
	236	62,915	29,070	628,766	592,072	**1,313,059**

Changes in liabilities arising from financing activities

	1 July 2019 $'000	Cash flows $'000	Foreign exchange movement $'000	Change in fair value $'000	New leases $'000	Other $'000	30 June 2020 $'000
Derivatives:							
Forward currency exchange contract							
Current financial liabilities	474	392	-	(866)	-	-	**-**
Interest rate swap							
Current financial liabilities	239	-	-	(189)	-	-	**50**
Non-current financial liabilities	1,375	-	(36)	(982)	-	-	**357**
Distributions payable	34,370	(51,751)	-	-	-	51,848*	**34,467**
Non-current borrowings	843,927	(163,181)	(4,333)	-	-	1,289	**677,702**
Lease liabilities							
Current liabilities	5,598	(5,674)**	-	-	667	5,420	**6,011**
Non-current liabilities	164,642	-	-	-	5,498	(5,558)	**164,582**
Total liabilities from financing activities	1,050,625	(220,214)	(4,369)	(2,037)	6,165	52,999	**883,169**

The opening balances at 1 July 2019 above are stated after the adoption of AASB 16 Leases.

*Other balances presented above represent distributions declared in the year: $71.5m (see note 16), less units issued under the distribution reinvestment plan which do not result in a cash outflow: $19.7m (see note 13).

**Relates to principal portion of lease liability payment. Total lease payments for the year ended 30 June 2020 were $13.6m as disclosed in the Consolidated Statement of Cashflows.

	1 July 2018 $'000	Cash flows $'000	Foreign exchange movement $'000	Change in fair value $'000	Other* $'000	30 June 2019 $'000
Derivatives:						
Forward currency exchange contract	-	-	-	474	-	**474**
interest rate swaps						
Current financial liabilities	3	-	-	236	-	**239**
Non-current financial liabilities	4,380	-	20	(3,025)	-	**1,375**
Distributions payable	27,396	(41,301)	-	-	48,275	**34,370**
Non-current borrowings	596,410	242,842	3,714	-	961	**843,927**
Lease liabilities						
Current lease liabilities	4,446	(4,820)	-	-	5,701	**5,327**
Non-current liabilities	156,942	-	-	-	6,885	**163,827**
Total liabilities from financing activities	789,577	196,721	3,734	(2,315)	61,822	**1,049,539**

16. CAPITAL MANAGEMENT

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

In order to achieve these objectives, the Group's capital management strategy aims to ensure that it meets financial covenants attached to interest-bearing loans and borrowings. Breaches in meeting a financial covenant could permit the lender to immediately call loans and borrowings. There have been no breaches of financial covenants relating to any loans and borrowings in the current or prior year. The Group manages its capital structure and makes adjustments to reflect changes in economic conditions and the requirements of its financial covenants. To maintain or adjust the capital structure, the Group may adjust the distribution payment to securityholders, return capital to securityholders or issue new securities.

The Group monitors capital using a gearing ratio, represented by net debt divided by total assets less cash and short term deposits and lease liabilities. The Group's target is to keep the gearing ratio between 25% and 40%. Net debt includes borrowings, less cash and short-term deposits.

	Notes	2020 $'000	2019 $'000
Interest bearing loans	9.5	681,063	847,838
Less: cash and short term deposits	9.1	(90,352)	(178,842)
Net debt		590,711	668,996
Total assets		2,640,334	2,392,313
Less cash and short term deposits		(90,352)	(178,842)
Less lease liabilities	9.7	(170,593)	(169,154)
		2,379,389	2,044,317
Gearing ratio		25%	33%

Loan covenants
Financial covenants under the terms of the Group's borrowing agreement require the Group to ensure that the gearing ratio does not exceed 55% and the ratio of operating earnings adjusted for interest, tax, depreciation and finance amortisation costs equals or exceeds a multiple of two. The Group has complied with these covenants throughout the reporting period.

Dividends and distributions
Distributions have been made and declared as noted below.

	NSPT Group 2020 $'000	2019 $'000
NSPT interim distribution of 4.7 cents per unit paid on 28 February 2020 (2019: 4.5 cents per unit)	37,039	30,082
NSPT final distribution of 3.4 cents per unit payable on 7 September 2020 (2019: 5.1 cents per unit)	34,467	34,370
	71,506	64,452

There are no proposed distributions not recognised as a liability for the year ended 30 June 2020.
The Directors of NSH have not declared an interim or final dividend for the year ended 30 June 2020.

Franking credit balance

	2020 $'000	2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	4,166	2,828

The above amounts are calculated from the balance of the NSH franking account at the end of the reporting period.

The NSPT Group does not have franking credits as distributions are paid from NSPT which is not liable to pay income tax provided all taxable income is distributed.

17. RELATED PARTY TRANSACTIONS

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

Transactions with Related Parties		Revenue from related parties $	Purchases from related parties $	Amount owed by related parties $	Amount owed to related parties $
Australia Prime Storage Fund	2020	490,195	-	-	-
	2019	808,702	-	502,919	-
Bundall Commercial Trust	2020	891,365	-	2,288,726	-
	2019	587,569	-	8,976,530	-
Bundall Storage Trust	2020	510,121	-	4,131,488	-
	2019	3,260,320	-	2,232,654	-
Bundall Storage Operations Pty Ltd	2020	-	-	-	50
	2019	12,661	-	167,407	-
Spacer Marketplaces Pty Ltd	2020	-	78,459	-	-
	2019	-	50,879	-	-
The TBF & NS Trust	2020	1,027,993	-	1,027,993	-
	2019	-	-	-	-

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.

As at 30 June 2020, the Group had receivables outstanding of $2,225,000 (30 June 2019: $8,725,000) with the Bundall Commercial Trust and $2,700,000 (30 June 2019: $1,025,000) with the Bundall Storage Trust relating to amounts drawn down under facility agreements between the entities. The facility agreements are interest bearing on commercial rates and been classed as a current receivable in the statement of financial position. All other outstanding balances are unsecured and interest free.

There have been no guarantees provided or received for any related party receivables or payables. For the years ended 30 June 2020 and 30 June 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Key management personnel compensation

	Consolidated Group	
	2020 $'000	2019 $'000
Short-term employee benefits	3,248	3,430
Post-employment benefits	134	126
Long-term benefits	522	281
Termination benefits	329	-
	4,233	3,837

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period relating to key management personnel. Detailed remuneration disclosures are provided in the remuneration report which is included in the Directors' Report.

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2020, the Group held commitments to purchase three freehold investment properties for $39m following construction of the assets.

As at 30 June 2020, the Group has contractual commitments in place for the construction of self-storage centres of $10.6m Australia and NZD $1.7m (AUD $1.6m) in New Zealand (see note 5), (30 June 2019: $13.6m Australia and NZD $6.0m (AUD $5.7m) in New Zealand). As at 30 June 2020, the Group held a commitment with a third party, to supply and install solar panels on a number of NSR storage centres. As at 30 June 2020, the Group has a commitment to additional expenditure of $1.1m, to be paid on agreed milestones subject to the completion of the project. (30 June 2019: $4.9m).

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

Lease liability commitments

For details of lease liability commitments see note 9.7.

Guarantees and contingent liabilities

The Group's parent entity has provided bank guarantees of $9m (2019: $8.9m) to third party lessors. The Group did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

19. EARNINGS PER STAPLED SECURITY ("EPS")

Basic earnings per stapled security 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 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.

	2020	2019 Restated
Weighted average number of securities on issue during the year	815,973,324	650,319,184
Adjustment under AASB 133 to reflect discount to market price on issue of new capital	14,178,656	20,677,528
Weighted average number of securities used to calculate basic and diluted earnings per stapled securities	830,151,980	670,996,712
Reconciliation of earnings used in calculating earnings per stapled securities		
Net profit attributable to members ($'000)	121,779	144,840
Basic and diluted earnings per stapled securities (cents)	14.67	21.59

As required by AASB *133 Earnings per share,* for capital raises during the year ended 30 June 2020, the weighted average number of securities on issue used to calculate statutory basic and diluted earnings per stapled securities has been adjusted to reflect the difference between the issue price and the fair value of securities prior to issue. No actual securities were issued relating to this adjustment.

The weighted average number of stapled securities for the year ended 30 June 2019 used to calculate basic and diluted earnings per stapled securities has also been restated on this basis.

20. AUDITORS' REMUNERATION

The auditor of the Group is Ernst & Young Australia.

	2020 $	2019 $
Amounts received or due and receivable by Ernst & Young Australia for:		
Category 1 – Fees for auditing the statutory financial report of the group and any other group entity	610,802	513,100
Category 2 – Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Category 3 - Fees for other assurance services under other legislation or contractual arrangements where there is discretion on service provider	27,400	62,950
Category 4- Fees for other services	75,815	143,250
Total auditors' remuneration	714,017	719,300

21. INFORMATION RELATING TO THE PARENT ENTITY

Summary financial information

The individual financial statements for NSH, the parent entity, show the following aggregate amounts:

	2020 $'000	2019 $'000
Current assets	104,527	264,270
Total assets	118,384	274,096
Current liabilities	(7,669)	(194,762)
Total liabilities	(8,919)	(196,012)
Net assets	109,465	78,084
Issued capital	131,421	98,397
Retained earnings	(21,956)	(20,313)
	109,465	78,084
Loss after tax	(1,642)	(3,041)
Total comprehensive income / (loss)	(1,642)	(3,041)

Guarantees entered into by the parent entity

The Group's parent entity has provided bank guarantees of $8.7m (2019: $8.9m) to third party lessors. In addition, there are cross guarantees given by National Storage Holdings Limited, National Storage (Operations) Pty Ltd, Southern Cross Storage Operations Pty Ltd, and National Storage Pty Ltd as described in note 22. No deficiencies of assets exist in any of these companies.

Contingent liabilities of the parent entity

The parent entity of Group did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

22. DEED OF CROSS GUARANTEE

As at 30 June 2020 and 30 June 2019, National Storage Holdings Limited, National Storage (Operations) Pty Ltd, Southern Cross 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 ASIC Corporations (wholly-owned companies) instrument 2016/785 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 parties to a deed of cross guarantee.

Consolidated statement of comprehensive income	**2020 $'000**	**2019 $'000**
Profit / (loss) before income tax	(12,098)	1,146
Income tax benefit	3,902	1,472
Profit / (loss) after tax	(8,196)	2,618
Retained earnings at the beginning of the year	10,944	7,676
Dividends received	800	650
Retained earnings at the end of the year	3,548	10,944

Consolidated statement of financial position	**2020 $'000**	**2019 $'000**
Current assets		
Cash and cash equivalents	12,915	172,824
Trade and other receivables	28,956	34,327
Inventories	769	606
Income tax receivable	331	-
Other current assets	9,812	6,804
Total current assets	52,783	214,561
Non-current assets		
Trade and other receivables	118	118
Property, plant and equipment	1,051	817
Right of use assets	6,540	-
Investment properties	954,353	870,175
Investments	5,932	5,932
Intangibles	30,356	30,256
Deferred tax asset	6,982	2,951
Total non-current assets	1,005,332	910,249
Total assets	1,058,115	1,124,810
Liabilities		
Current liabilities		
Trade and other payables	7,358	195,300
Lease liabilities	5,251	4,586
Deferred revenue	10,781	11,569
Income tax payable	-	601
Provisions	1,774	2,072
Total current liabilities	25,164	214,128
Non-current liabilities		
Borrowings	1,250	1,250
Lease liabilities	893,457	797,826
Provisions	3,274	2,265
Total non-current liabilities	897,981	801,341
Total liabilities	923,146	1,015,469
Net assets	134,969	109,341
Equity		
Contributed equity	131,421	98,397
Retained profits	3,548	10,944
Total equity	134,969	109,341

23. EVENTS AFTER REPORTING PERIOD

For the period from 1 July 2020 to the date of this report the Group purchased seven storage centre investment properties for a total cost of $133.9m.

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 Group for the year ended 30 June 2020 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 2020 and of its performance for the year ended on that date; and

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

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

   (c) there are reasonable grounds to believe that NSR 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 22 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 2020.

On behalf of the Board,

Laurence Brindle	Andrew Catsoulis
Director	Managing Director
25 August 2020	25 August 2020
Brisbane	Brisbane

Building a better working world

Ernst & Young
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Independent Auditor's Report to the Members of National Storage REIT

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Storage REIT (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment property valuation

Why significant	How our audit addressed the key audit matter
Investment properties represent approximately 93% of the Group's total assets. These assets are carried at fair value, which is assessed by the directors with reference to either external independent property valuations or internal valuations, and are based on market conditions existing at reporting date. This was considered a key audit matter due to the number of judgments required in determining fair value. These judgments include assessing the capitalisation rates, sustainable occupancy and stabilised average EBITDA (earnings before interest, tax, depreciation and amortisation). The COVID-19 pandemic has given rise to market uncertainty which impacts judgments and inputs used to determine fair value and in turn gives rise to valuation uncertainty. Disclosure relating to investment properties and the associated significant judgments are included in Notes 2 (p), 3, 10.4, and 10.8 to the financial report.	Our audit procedures included the following: • With the involvement of our real estate valuation specialists, we assessed the suitability of the valuation methodologies, the competence, qualifications and objectivity of both the Group's internal valuers and external valuation experts, and the assumptions used in the valuations. These assumptions and inputs included capitalisation rates, occupancy rates including forecast occupancy levels, and stabilised average EBITDA. We evaluated how the Group's valuation experts considered the impact of COVID-19 on the key assumptions and inputs in their valuations; • Agreed a sample of the source data used in the valuations to supporting tenancy schedules and accounting sub-ledgers; • Tested the mathematical accuracy of the internal valuation model, including assessing key valuation inputs with reference to those applied by the external valuation experts and where relevant we assessed the reasonableness of comparable transactions used in the valuation process; • Where relevant, we evaluated the movement in the capitalisation rates, occupancy rates, and stabilised average EBITDA across the portfolio based on our knowledge of the property portfolio, published industry reports and comparable external valuations; and • We considered the adequacy of disclosures in relation to the valuation methods and principles disclosed in Note 2 (p) *Summary of significant accounting policies - Investment properties,* Note 3 *Significant accounting judgements, estimates and assumptions*, Note 10.4 *Investment properties* and Note 10.8 *Non-financial assets fair value measurement*.

2. Carrying value of goodwill

Why significant	How our audit addressed the key audit matter
The goodwill balance of $43.9 million, relates to the acquisition of portfolios of investment properties purchased in previous periods. The goodwill is tested for impairment annually. Impairment testing involves the application of subjective judgment about future business performance and the application of valuation methodologies in accordance with Australian Accounting Standards. Accordingly, this was considered a key audit matter.	Our audit procedures included the following: • We considered whether the impairment testing methodology applied by the Group, including the determination of cash generating units to which goodwill was allocated, met the requirements of Australian Accounting Standards; • We assessed the Group's appropriateness in respect of the determination of the CGU to which the goodwill is allocated; • We evaluated the suitability of the valuation methodology and validated the inputs to calculate the fair value less costs of disposal as disclosed in Note 10.5 *Intangible assets*; • We considered the adequacy of the disclosures in Note 10.5 of the financial report.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the National Storage REIT 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
-

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 53 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of National Storage REIT for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

Ernst & Young

Ric Roach
Partner
Brisbane
25 August 2020

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 July 2020 unless stated below:

(a) Distribution of equity securities

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

Holding			Total holders
1	-	1,000	1,330
1,001	-	5,000	1,767
5,001	-	10,000	1,245
10,001	-	100,000	2,668
100,001	-	And over	149
Total			7,159

There were 347 holders of less than a marketable parcel of stapled securities, representing 24,326 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:

	Stapled Securities	
Name	Number held	% of issued securities
HSBC Custody Nominees (Australia) Limited	384,533,556	37.93
J P Morgan Nominees Australia Limited	203,962,487	20.12
Citicorp Nominees Pty Limited	82,136,928	8.10
Perpetual Trustee Company Ltd	82,042,294	8.09
National Nominees Limited	27,541,991	2.72
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	25,620,419	2.53
BNP Paribas Noms Pty Ltd (DRP)	15,186,077	1.50
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	10,163,195	1.00
Storcat Pty Ltd (Andrew Catsoulis Family A/C)	7,812,878	0.77
HSBC Custody Nominees (Australia) Limited – GSCO ECA	7,737,938	0.76
National Nominees Limited (N A/C)	5,500,000	0.54
Buttonwood Nominees Pty Ltd	4,278,903	0.42
Hooks Enterprises Pty Ltd (Hoeksema Superfund A/C)	3,980,000	0.39
HSBC Custody Nominees (Australia) Limited – A/C 2	3,827,199	0.38
Alex Queensland Pty Ltd (Catsoulis Development A/C)	2,932,388	0.29
Brispot Nominees Pty Ltd (House Head Nominee A/C)	2,929,208	0.29
Australian Executor Trustees Limited (IPS Super A/C)	2,831,438	0.28
Dynamic Supplies Investments Pty Ltd	2,779,614	0.27
BNP Paribas Noms (NZ) Ltd (DRP)	2,691,986	0.27
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	2,342,188	0.23
	880,830,687	86.89

Unquoted equity securities

There are no unquoted securities.

(c) Substantial shareholders

Substantial securityholders, as at 14 July 2020, are set out below:

Name	Number held	Percentage
Abacus Storage Funds Management Limited	82,042,294	8.1%
Vanguard Investments Australia Ltd	70,245,586	6.9%
MFS Investment Management	53,078,824	5.2%

(d) Voting rights

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

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 (0)3 9415 4000
Email using the online form: https://www-au.computershare.com/Investor/#Contact/Enquiry

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 link in the Investor Centre section of the corporate website, www.nationalstorageinvest.com.au, or via the Investor Centre link on registry 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 International: +61 (0)3 9415 4000 (outside Australia).

DISTRIBUTION DETAILS
Distributions are expected to be paid within 8 to 10 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
August
Full Year Results and Annual Report released.
September
Distribution paid for the six months ended 30 June. Annual tax statements released. Notice of Annual General Meeting released.
October
Annual General Meeting.
February
Half Year Results released. Distribution paid for six months ended 31 December.

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

RESPONSIBLE ENTITY OF NSPT
National Storage Financial Services Limited (NSFSL)
ACN 600 787 246 AFSL 475 228
Level 16, 1 Eagle Street, Brisbane QLD 4000

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

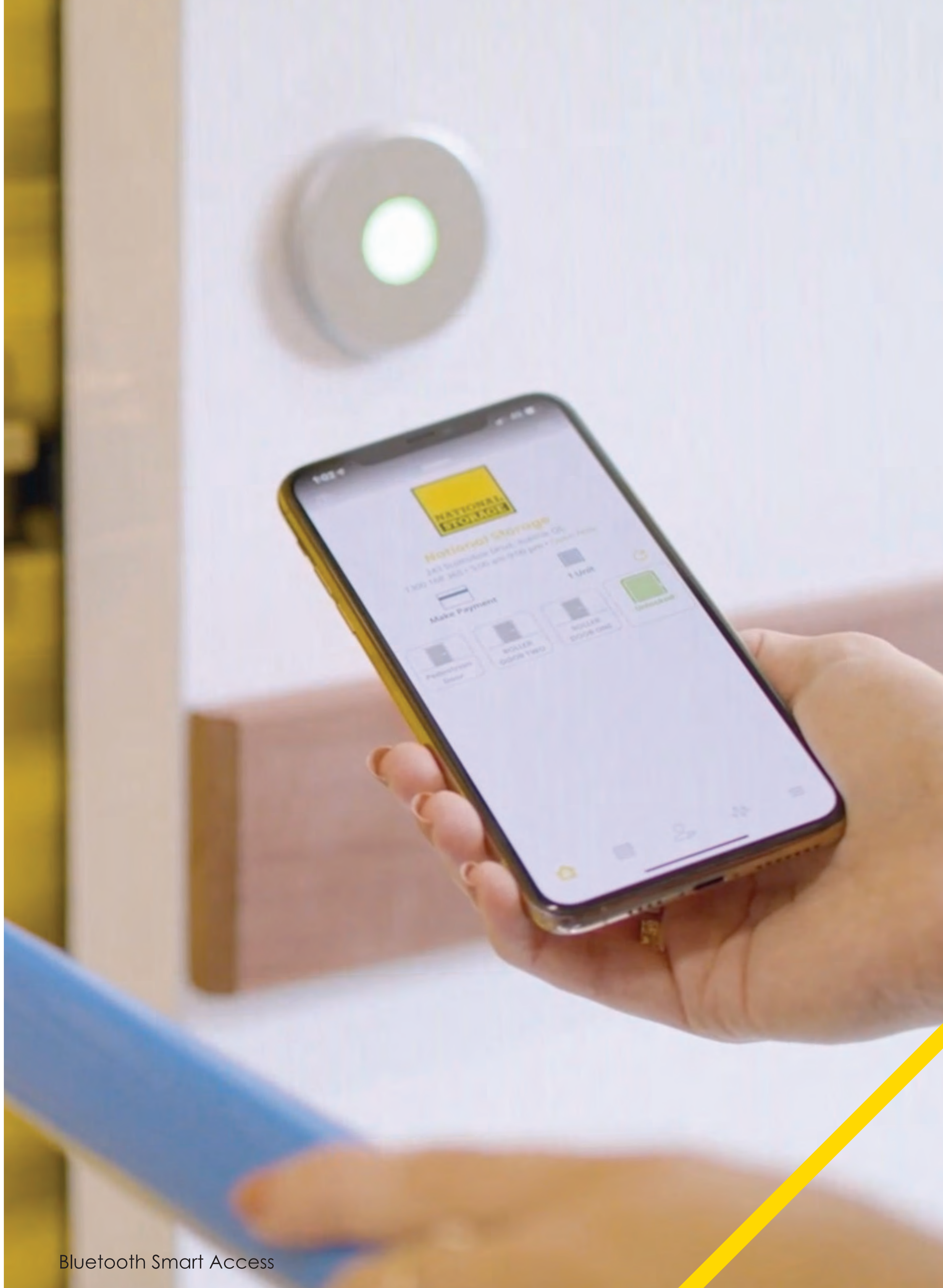
COMPANY SECRETARY
Claire Fidler

REGISTERED OFFICE
Level 16, 1 Eagle Street
Brisbane QLD 4000

PRINCIPAL PLACE OF BUSINESS
Level 16, 1 Eagle 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 (ASX)

AUDITORS
Ernst & Young
111 Eagle Street
Brisbane QLD 4000



Bluetooth Smart Access


NATIONAL
STORAGE