National Storage Pty Ltd

A.B.N.: 51 094 382 831

Financial Report for the year ended 30 June 2013

CORPORATE INFORMATION

NAME OF ENTITY
National Storage Pty Ltd

ABN
51 094 382 831

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
National Storage Pty Ltd
Level 1, 10 Felix Street
Brisbane 4000

BANKERS
National Australia Bank

SOLICITORS
Dowd & Co

AUDITORS
Ernst & Young
Australia

WEBSITE
www.nationalstorage.com.au

CONTENTS

DIRECTORS' REPORT

The Board of Directors of National Storage Pty Ltd has pleasure in submitting their report on the Company and its subsidiaries (collectively, "the Group") for the year ended 30 June 2013 and report as follows:

Directors
The names and details of the Company directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Geoff McMahon, *Chairman (appointed 13 December 2000)*
Has been a Non-executive Director for 13 years and Managing Director of Australian Property Growth Fund (APGF). Current responsibility for property funds management, capital management, risk management, and corporate governance. *BEcon; BComm; Dip, Secretaries Institute of Australia; Dip Corporate Management, Institute of Chartered Directors; Fellow, Urban Development Institute of Australia; Fellow of Certified Practising Accountant, The Australian Society of Accountants; Fellow, Institute of Chartered Secretaries and Administrators; Fellow, Institute of Company Secretaries; Fellow, Financial Services Institute of Australia.*

Andrew Catsoulis, *Managing Director (appointed 13 December 2000)*
Has been a Director of National Storage for 13 years and responsible for acquisition and integration of original National Storage portfolio. In addition is a qualified and experienced project manager. Previously practising lawyer for eight years working for Australian and international law firms. *BA; LLB; GDip PM.*

Peter Greer, *Director (appointed 13 December 2000)*
Has been a Director for 13 years and responsible for financing and operational development. Previously executive in Australian banking industry for 15 years. Current responsibility for company operations, human resources and strategic planning.

Michael Berry, *Director (appointed 13 December 2000)*
Has been a Director for 13 years and responsible for initial administration and operational policies and procedures. Previously chartered accountant for 30 years. Current responsibility for finance and administration. *BComm; Fellow, Institute of Company Secretaries; Fellow, Institute of Company Directors; Dip, Secretaries Institute of Australia.*

Principal activities
The principal activities of the Group during the financial year were the operating and management of storage centres. No significant change in the nature of these activities occurred during the year.

Results
The consolidated profit/(loss) of the Group after income tax for the year was ($531,660) (2012: loss of $67,213).

Dividends
$900,000 dividend was paid during the year ended 30 June 2013 (2012: nil).

Review of operations
During the financial year, the Company continued to operate storage centres across Australia. The wider economic environment resulted in tougher trading conditions that are reflected in the financial results. The loss attributable to members ($531,660) (2012: loss of $67,213) has been impacted by a change of accounting policy to recognise the property leases as finance leases.

On 10 October 2012, a subsidiary National Storage (Operations) Pty Ltd, sold the business and assets associated with the Valley centre to Southern Cross Storage Operations Pty Ltd for consideration of $2,928,746.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

DIRECTORS' REPORT (Cont)

Significant events after balance date
On 24 October 2013, the Directors of National Storage Pty Ltd declared a dividend on the ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $5,598,138 which represents a fully franked dividend of $2,799 per share. The dividend has not been provided for in the 30 June 2103 financial statements.

Likely developments and expected results of operations
The Company expects to continue managing storage operations to enhance the value of the Group and to make acquisitions where strategic for the Group. The Directors are considering a proposed transaction which would result in a change to the ownership of the Group, presenting significant growth opportunities.

No additional expectations of future results and operations are sufficiently likely to enable disclosure.

Environmental regulation
The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Options
No options over issued shares or interests in the Company or a Controlled Entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' benefits
Since the end of the previous financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements or the fixed salary of a full-time employee of the Group, by reason of a contract made by the Group with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Auditor independence
The Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the director's report for the year ended 30 June 2013.

Indemnification of officers and auditors
Insurance and indemnity arrangements concerning officers of the Group were continued during 2013.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of group
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

This report has been made in accordance with a resolution of directors.

M Berry
Director

Brisbane
25 October 2013

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

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

Auditor's Independence Declaration to the Directors of National Storage Pty Ltd

In relation to our audit of the financial report of National Storage Pty Ltd and its subsidiaries for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mike Reid
Partner
25 October 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 $	Group 2012 $
Revenue from storage rent		37,385,764	42,486,680
Revenue from sale of goods and services		2,393,219	2,757,797
Other revenue	4	6,032,713	8,766,421
Total revenue		**45,811,696**	**54,010,898**
Revaluation of investment properties		(15,347,839)	(15,379,790)
Interest expense		(13,217,244)	(13,760,566)
Salaries and employee benefits expense		(4,473,800)	(5,056,449)
Management fees - operational		(2,732,169)	(3,463,121)
Land tax		(1,308,781)	(1,377,427)
Rates		(1,064,811)	(1,186,166)
Advertising and promotions		(910,679)	(614,783)
Electricity		(894,438)	(899,524)
Repairs and maintenance		(891,688)	(734,511)
Cost of packaging and other products sold		(556,511)	(683,123)
Impairment expense		(450,398)	-
Insurance		(404,999)	(441,799)
Computer maintenance		(394,383)	(459,006)
Net loss on disposal of non-current assets		(305,327)	(1,336,089)
Bank charges		(291,814)	(348,189)
Depreciation	5	(243,553)	(416,317)
Rent		(153,645)	(5,463,493)
Transaction facilitation fee		-	(460,000)
Other expenses from continuing activities		(2,177,422)	(2,582,242)
Total expenses		**(45,819,501)**	**(54,662,595)**
Profit/(loss) before income tax		**(7,805)**	**(651,697)**
Income tax expense / (benefit)	6	(523,855)	584,484
Profit/(loss) attributable to members		**(531,660)**	**(67,213)**
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year, net of tax		**(531,660)**	**(67,213)**

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

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 $	Group 2012 $
Profit/(loss) for the year attributable to:			
Controlling interests		(531,660)	(67,213)
Non-controlling interests		-	-
		(531,660)	**(67,213)**
Comprehensive income for the year attributable to:			
Controlling interests		(531,660)	(67,213)
Non-controlling interests		-	-
		(531,660)	**(67,213)**
Earnings per share			
Basic (cents per share)	30	(265.83)	(33.61)
Diluted (cents per share)	30	(265.83)	(33.61)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Group 2013 $	Group 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	7	381,530	734,252
Trade and other receivables	8	11,707,500	9,146,125
Inventories	9	180,231	168,393
Other current assets	10	2,304,269	2,508,460
Total current assets		**14,573,530**	**12,557,230**
Non-current assets			
Trade and other receivables	8	1,122,626	1,122,626
Property, plant and equipment	11	931,206	1,459,506
Investment property	12	201,328,068	205,440,266
Other non-current assets	10	109,384	135,066
Intangibles	13	434,260	954,458
Total non-current assets		**203,925,544**	**209,111,922**
Total assets		**218,499,074**	**221,669,152**
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,328,219	6,426,887
Finance lease liability	23	16,244,023	14,404,102
Provisions	15	494,247	405,219
Deferred revenue	16	5,004,984	4,172,718
Total current liabilities		**28,071,473**	**25,408,926**
Non-current liabilities			
Provisions	15	423,865	284,653
Finance lease liability	23	153,741,198	158,805,231
Deferred tax liability	6	7,540,706	7,016,850
Total non-current liabilities		**161,705,769**	**166,106,734**
Total liabilities		**189,777,242**	**191,515,660**
Net assets		**28,721,832**	**30,153,492**
EQUITY			
Parent entity interest:			
Contributed equity	17	2,800,334	2,800,334
Retained profits/(accumulated losses)	18	25,921,498	27,353,158
Total equity		**28,721,832**	**30,153,492**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Contributed Equity	Retained Profits / (Accumulated Losses)	Total
Balance at 30 June 2011	2,800,334	27,420,371	30,220,705
Total comprehensive income/(loss) for the year	-	(67,213)	(67,213)
			-
Transfer to Profits Reserve	-	-	-
Transactions with the owners in their capacity as owners	-	-	-
Dividends provided for or paid			
Balance at 30 June 2012	**2,800,334**	**27,353,158**	**30,153,492**
Total comprehensive income/(loss) for the year	-	(531,660)	(531,660)
Transfer to Profits Reserve	-	-	-
Transactions with the owners in their capacity as owners			-
Dividends provided for or paid	-	(900,000)	(900,000)
Balance at 30 June 2013	**2,800,334**	**25,921,498**	**28,721,832**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 $	2012 $
Operating activities			
Receipts from customers		41,502,568	50,159,447
Payments to suppliers and employees		(19,217,792)	(26,063,463)
Coupon fees received		2,817,970	3,201,600
Transaction facilitation fee		131,000	1,450,000
Interest and other finance costs paid		(13,250,287)	(13,793,608)
Interest and bill discounts received		30,001	66,137
Net cash provided by /(used in) operating activities	7	**12,013,460**	**15,020,113**
Investing activities			
Proceeds on sale of businesses		2,688,752	5,227,573
Payments for property, plant & equipment		(20,580)	(1,109,440)
Payment for intangibles		-	(375,000)
Proceeds from sale of plant & equipment		-	1,598,874
Net cash provided by /(used in) investing activities		**2,668,172**	**5,342,007**
Financing activities			
Loans to shareholders		(282,788)	(4,408,100)
Finance loan - receipt / (repayment)		-	(3,272,631)
Repayment of lease principal		(14,751,566)	(13,290,051)
Net cash provided by /(used in) financing activities		**(15,034,354)**	**(20,970,782)**
Net increase/(decrease) in cash and cash equivalents		(352,722)	(608,662)
Cash and cash equivalents at 1 July 2012		734,252	1,342,914
Cash and cash equivalents at 30 June 2013	7	**381,530**	**734,252**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 1. Corporate information

The consolidated financial statements of National Storage Pty Ltd and its subsidiaries (collectively, "the Group") for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 24 October 2013.

The nature of the operations and principal activities of the Group are described in the directors' report.

Note 2. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the Group consisting of National Storage Pty Ltd and its subsidiaries. National Storage Pty Ltd is a proprietary company limited by shares, incorporated and domiciled in Australia.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also 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. The financial report is presented in Australian Dollars (AUD).

Deficiency of Net Current Assets
Accounting standard AASB 140 Investment Property requires the Finance Lease Liability to be split between current and non-current. While the corresponding asset is all non-current, the net impact on the Group is a deficiency of net current assets. The Directors believe that the excess of the total Investment Property over the Finance Liability reflects the positive position in both the immediate and long-term and that sufficient cash inflows from operations will occur to enable the liabilities to be paid as and when due. On this basis, the Directors believe that the deficiency of the net current assets does not impact the underlying going concern assumption applied in preparing these financial statements.

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

For the year ended 30 June 2012, the Group prepared tier 2 general purpose financial statements in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The adoption of AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments allowed National Storage Pty Ltd to remove a number of disclosures. In order to be compliant with International Financial Reporting Standards and tier 1 GPFS reporting requirements, disclosures requirements according to the following Australian Accounting Standards have been added:

- AASB 1 *First-Time Adoption of Australian Accounting*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements*
- AASB 102 *Inventory*
- AASB 107 *Statements of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 110 *Events After Reporting Date*
- AASB 112 *Income Tax*
- AASB 117 *Leases*
- AASB 123 *Borrowing Costs*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(b) Compliance with IFRS (continued)

- AASB 124 *Related Parties*
- AASB 127 *Separate Financial Statements*
- AASB 137 *Impairment of Assets*
- AASB 138 *Intangible Assets*
- AASB 139 *Intangibles*
- AASB 140 *Investment Properties*

For the year ended 30 June 2013, the group prepared tier 1 General Purpose Financial statements (GPFS) in accordance with AASB 101. The company is applying AASB 1 and has considered the potential impact on its 1 July 2011 balances. There has been no impact (other than the voluntary change in policy, Note 2(v)) in adopting AASB 1.

In the prior year, other than AASB 101 Presentation of Statements, the Group had applied all relevant accounting standards issued by the Australian Accounting Standards Board.

As such, no adjustments have been made by the Group in restating comparative financial statements, including the statement of financial position as at 1 July 2012 and the financial statements as at and for the year ended 30 June 2012.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of National Storage Pty Ltd and its subsidiaries as at and for the year ended 30 June 2013.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Dividends received from subsidiaries are recorded as a component of other revenues in the statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exists.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

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 Groups cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Note 2. Statement of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and a portion of the cash-generating unit retained.

(d) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, that at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation Legislation

National Storage Pty Ltd and its wholly-owned controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, National Storage Pty Ltd, and the controlled entities in the tax consolidation group, continue to account for their current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group continues to be a stand-alone taxpayer in its own right.

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

(e) Revenue

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(e) Revenue (continued)

Rendering of services
Revenue from the provision of storage space is recognised less any amount contractually refundable to customers over the term of the general agreement.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income in the income statement.

(f) Inventories

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

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where the net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Depreciation
Depreciation is calculated either on a straight line basis to write off the net cost or re-valued amount of each item of property, plant and equipment over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are:

Straight Line Method:

Nature of asset	**Expected useful life**
Leasehold improvements	15 years
Plant and equipment	2.5-20 years
Buildings	40 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(h) Investment properties under operating lease

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

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an independent valuer or by directors' valuation. Lease payments on these leases are allocated between the principal component of the leases liability and interest expense so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognised in finance costs in the Statement of Comprehensive Income and interest paid is presented within *Cash flows from Operations* in the Statement of Cash flows.

This policy has been adopted by the Group for the 2013 financial year and has been retrospectively applied in these financial statements (refer Note (v) below).

(i) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the Company will obtain ownership of the asset, the life of the asset.

(k) Investments in controlled entities

Investments in subsidiaries are stated at cost and eliminated on consolidation.

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid and due to their short term nature are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(m) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(n) Provisions

Employee benefits

(i) Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions in respect of employees services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs.

(ii) Long service leave
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave, and any other employee benefit, expected to be settled more than 12 months from the reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

(iii) Bonus plans
A liability for employee benefits in the form of bonus plans is recognised in other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions are met:

- there are formal terms in the plan for determining the amount of the benefit, or
- the amounts to be paid are determined before the time of completion of the financial report.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Provision for make good
In accordance with the lease agreement, the Group must restore the leased premises in the Hornsby centre to their original condition upon expiration of the lease. A provision was made in respect to the Group's obligation to remove leasehold improvements from the leased premises.

The costs associated with the make good have been recognised to ensure the full extent of the make good liability is accrued. No further amounts were provided during the year nor were any costs incurred to remove the improvements to date

(o) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(o) Goodwill (continued)

The goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(p) Intangible assets

Brand names
Brand Names acquired as part of a business combination are recognised separately from goodwill. These represent the names, reputation and systems used by the Group to attract and retain customers.

Brand Names are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

IT software
Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

IT software is amortised over a period of five years, unless events or changes in circumstances indicate that it might be impaired in which case it is are amortised over an appropriate shorter period.

(q) Financial instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

(r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(t) Parent entity financial information

The financial information for the parent entity, National Storage Pty Ltd, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the financial statements of National Storage Pty Ltd.

(ii) Tax consolidation legislation
National Storage Pty Ltd and its wholly-owned entities have implemented the tax consolidation legislation.

The head entity, National Storage Pty Ltd, 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, National Storage Pty Ltd 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 National Storage Pty Ltd for any current tax payable assumed and are compensated by National Storage Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to National Storage Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

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

(u) New accounting standards and interpretations

(i) Changes in accounting policy disclosures.
The following standards and interpretations would have been applied for the first time for entities with years ended 30 June 2013. The following standards did not result in any significant changes to the accounting policies:

Reference	Application date of standard*	Application date for Group*
AASB 2013-2	Ending 31 March 2013	1 July 2011
AASB 2010-8	1 January 2012	1 July 2011
AASB 2011-9	1 July 2012	1 July 2011

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been early adopted by the Group for the annual reporting period ending 30 June 2013, are outlined in the table below. Based on preliminary assessments, management does not expect significant impacts to arise from these standards and interpretations subject to the Group's further detailed analysis and assessment process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(u) New accounting standards and interpretations (continued)

Reference	Title	Nature of change to accounting policy	Applications date of standard*	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations that applies to all entities.	1 January 2013	The amendments are not expected to have a material impact on the Group.	1 July 2013
AASB 13	Fair Value Measurement	This standard established a single source of guidance for determining the fair value of assets and liabilities including expanded disclosures for all assets and liabilities carried at fair value.	1 January 2013	The amendments are not expected to have a material impact on the Group.	1 July 2013
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled whole within 12 months after the reporting date.	1 January 2013	The amendments are not expected to have a material impact on the Group.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle.	1 January 2013	The amendments are not expected to have a material impact on the Group.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013**	The amendments are not expected to have a material impact on the Group.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(u) New accounting standards and interpretations (continued)

Reference	Title	Nature of change to accounting policy	Applications date of standard*	Impact on Group financial report	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements	1 July 2013	The amendments are not expected to have a material impact on the Group.	1 July 2013
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets	1 January 2015	The amendments are not expected to have a material impact on the Group.	1 July 2015

The following standards and interpretations which are not applicable to the Group have been issued by the AASB but are not yet effective for the period ended 30 June 2013:

Reference	Title	Applications date of standard*	Application date for Group*
AASB 11	Joint Arrangements	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	1 January 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 July 2014
Interpretation 21	Levies	1 January 2014	1 July 2014

* Designates the beginning of the applicable annual reporting period unless otherwise stated
** This standard cannot be early adopted. Revisions are currently being made to the Corporations Law to bring this disclosure into the Directors' Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 2. Statement of significant accounting policies (continued)

(v) Change in accounting policy

AASB140 Investment Properties
The Group has revised its accounting policy with regard to the treatment of long term leased properties. The Group previously did not record leased properties as investment properties. During 2013, the Group changed its accounting policy to record leased properties as investment properties under AASB 140, and a corresponding finance lease liability. The Group believes this policy is more consistent with the practice of its industry peers and reflects a more relevant financial position of the Group. Changes have been applied retrospectively in compliance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information.

As a result of the change, the following adjustments were made to the financial statements:

Statement of Financial Position

	2011		2012	
	Previously Reported	Revised	Previously Reported	Revised
Deferred rental liability	(15,977,806)	-	(16,822,305)	-
DTA/DTL	6,507,681	(7,601,334)	6,614,136	(7,016,851)
Investment properties	-	220,820,057	-	205,440,266
Finance lease liability	-	(186,151,194)	-	(173,209,333)
Leasehold improvements (WDV)	4,709,939	599,220	4,122,220	505,601
Retained earnings	(5,006,563)	27,420,371	(4,452,475)	27,353,158

Total comprehensive income/(loss) for 30 June 2012, net of tax, was previously reported as $554,088 and has been revised to $(67,213).

30 June 2013 Revisions

Decrease in deferred rental liability	305,095
Decrease in deferred tax asset	(91,529)
Decrease in investment properties	(4,112,198)
Increase accumulated depreciation	486,307
Decrease in finance lease liability	3,281,264
Decrease in deferred tax liability	103,388
Decreased provision for income tax expense	91,529
Net decrease to net profit after tax / net decrease to retained earnings	63,856

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 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 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 the most significant effect on the amounts recognised in the consolidated financial statements:

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

Revaluation of investment properties carried at fair value
The Group carries its investment properties under operating lease at fair value, with changes in fair value being recognised in the income statement. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2012. For investment properties, a valuation methodology based on a discounted cash flow model was used, as there is a lack of comparable market data because of the nature of the properties. Land and buildings were valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 12.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 13.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 $	Group 2012 $
Note 4. Revenue		
Revenues from non-operating activities		
Interest revenue	315,997	66,137
Lease Incentive recognition on early termination of lease	-	630,662
Transaction facilitation fees	131,000	1,450,000
Coupon fee (refer Note 21)	2,817,970	3,201,600
Other revenue	357,740	520,276
Total revenues from non-operating activities	3,622,707	5,868,675
Proceeds from sale of storage centres		
National Storage centres	2,410,006	1,342,730
Wine Ark centres	-	1,555,016
Total proceeds from sale of storage centres	2,410,006	2,897,746
Total other revenue	6,032,713	8,766,421

Note 5. Expenses

	Group 2013 $	Group 2012 $
Expenses		
Depreciation of non-current assets		
Plant and equipment	240,994	322,698
Leasehold improvements	2,559	93,619
Total depreciation of non-current assets	243,553	416,317
Finance costs expensed		
Interest expense	13,217,244	13,760,566
Total finance costs expensed	13,217,244	13,760,566
Bad debts expense	68,044	37,862

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 6. Income tax expense

	Group	
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:	2013 $	2012 $
Profit/(Loss) from ordinary activities	(7,805)	(651,697)
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities at 30%	(2,342)	(195,509)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment on goodwill	135,119	-
Prepayments	11,233	64,073
Prior year unders/overs	320,703	-
Difference in tax value of assets sold	-	(233,771)
Other	59,142	(219,277)
Total income tax expense/(benefit) attributable to profit from ordinary activities	523,855	(584,484)
The components of tax expense comprise:		
Current tax	-	-
Deferred	523,855	(584,484)
	523,855	(584,484)
Deferred tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	1,127,873	807,207
(Decrease)/increase in deferred tax liabilities	(604,018)	(1,391,691)
	523,855	(584,484)

Deferred tax assets and liabilities

Deferred tax liability – non-current The balance comprises temporary differences attributable to:		
Prepayments	47,550	58,110
Accrued income	13,840	13,840
Formation expenses	9,760	-
Revaluations of investment properties under operating lease	60,398,421	61,632,080
Coupon fee receivable	630,441	-
	61,100,012	61,704,030

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 6. Income tax expense (continued)

Deferred tax asset - non-current
The balance comprises temporary differences attributable to:

	Group 2013 $	Group 2012 $
Lease liability	50,978,419	51,962,800
Employee benefits	209,233	206,962
Accrued expenses	9,955	13,945
Deferred revenue	214,950	-
Carry forward losses	1,069,154	1,312,364
Difference between book and tax depreciation	939,094	1,084,986
Formation expenses	33,057	47,195
Lease incentive	39,244	58,928
Provision for make-good	66,200	-
	53,559,306	54,687,180
Net deferred tax liability	7,540,706	7,016,850

The Group offsets tax assets and liabilities if, and only, 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 tax losses, which arose in Australia, of $3,563,847 (2012: $3,305,537) that are available indefinitely for offsetting against future taxable profits of the Group.

Note 7. Cash and cash equivalents

	2013 $	2012 $
Cash on hand	18,100	18,600
Cash at bank	363,430	715,652
Total cash assets	381,530	734,252

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 7. Cash and cash equivalents (continued)

Cash flow reconciliation

Reconciliation of net cash from operating activities to operating profit after income tax

	Group 2013 $	Group 2012 $
Profit before tax from continuing operations	(7,805)	(651,697)
Adjust for non-cash items		
Depreciation expense	243,553	416,317
Amortisation expense	75,000	-
(Increase)/decrease in fair value adjustment of investment properties	15,347,839	15,379,790
Write-off intangibles	450,398	90,724
(Profit)/loss on sale of plant and equipment	(2,104,679)	(1,561,657)
Other	617	(26,810)
(Increase)/decrease in:		
Trade and other receivables	(3,171,337)	(458,687)
Inventories	(11,838)	134,002
Other assets	229,874	1,156,963
Increase/(decrease) in:		
Trade and other creditors	(98,668)	(3,699,422)
Employee provisions	228,240	67,872
Deferred revenue	832,266	4,172,718
Net cash provided from operating activities	12,013,460	15,020,113

Non-cash financing and investing activities

Dividends of $900,000 were paid and deducted from amounts receivable from shareholders.

Note 8. Trade and other receivables

	Group 2013 $	Group 2012 $
Current		
Trade debtors	571,186	486,048
Other receivables	2,450,582	94,914
Receivables from related parties (Note 21)	8,685,732	8,565,163
Total current trade and other receivables	11,707,500	9,146,125

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 8. Trade and other receivables (continued)

	Group 2013 $	Group 2012 $
Non-current		
Other receivables	292,476	292,476
Receivables from related parties (Note 21)	830,150	830,150
Total current trade and other receivables	1,122,626	1,122,626

(a) Impairment of receivables

The provision for impairment of receivables represents an estimate of trade debtors that have become impaired as a result of an inability to collect the amount of rent owing after customers goods have been sold. At 30 June 2013, following a review of trade debtor balances and subsequent payments received, the Directors have determined no provision for impairment is required.

(b) Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

Other receivables includes a coupon fee owed by APN National Storage Property Trust ("APN"). APN and National Storage (Operations) Pty Ltd ("NSO") became joint borrowers to a loan with a third party financier on 17 September 2010. The security pledged to this loan is the properties, which are owned by APN, and the associated businesses, which are owned by NSO.

(ii) As part of this agreement, NSO receives a coupon fee $2,817,970 (2012: $3,201,600) calculated from the agreed business value associated with the 36 National Storage businesses operating from these properties. As at 30 June 2013, the coupon fee receivable was $2,101,140 (2012: $nil).

(iii) For terms and conditions relating to related party receivables, refer to Note 21.

Note 9. Inventories

	Group 2013 $	Group 2012 $
Finished goods - at cost	180,231	168,393
Total inventories	180,231	168,393

Note 10. Other assets

	Group 2013 $	Group 2012 $
Current		
Prepayments	2,176,484	2,508,460
Other assets	127,785	-
Total current other assets	2,304,269	2,508,460
Non-current		
Prepayments	109,384	135,066
Total current other assets	109,384	135,066

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 11. Property, plant and equipment

	Group 2013 $	Group 2012 $
Plant and equipment:		
At cost	3,527,223	3,618,582
Accumulated depreciation	(2,604,921)	(2,664,677)
Total owned plant and equipment	922,302	953,905
Leasehold improvements:		
At capitalised cost	13,957	786,903
Accumulated depreciation	(5,053)	(281,302)
Total leasehold improvements	8,904	505,601
Total non-current property, plant and equipment	931,206	1,459,506

Reconciliations

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

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning	953,905	2,185,133
Additions	340,128	123,950
Disposals	(130,737)	(1,032,480)
Additions from acquisition of subsidiary	-	-
Depreciation	(240,994)	(322,698)
	922,302	953,905
Leasehold improvements		
Carrying amount at beginning	505,601	599,220
Additions	-	-
Disposals	(494,138)	-
Depreciation	(2,559)	(93,619)
	8,904	505,601

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 $	Group 2012 $
Note 12. Investment properties		
Opening balance at 1 July 2012 under operating lease	205,440,266	220,820,056
Additions	11,235,641	-
Net loss from fair value movement	(15,347,839)	(15,379,790)
Closing balance as at 30 June 2013 under operating lease	201,328,068	205,440,266
Rental income derived from investment properties under operating lease	36,966,314	40,450,306
Direct operating expenses (including repairs and maintenance) generating rental income	(12,121,842)	(12,255,077)
Direct operating expenses (including repairs and maintenance) that did not generate rental income	(3,235,516)	(3,857,211)
Net profit arising from investment properties under operating lease carried at fair value	21,608,956	24,338,018

The Group has no restrictions on the realisability of its investment properties under operating lease and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties under operating lease are stated at fair value, which has been determined by a combination of independent valuations and directors' valuations. The fair values of the properties have not been determined using transactions observable in the market because of the lack of comparable data given the nature of the property. Instead, the fair value has been determined using a discounted cash flow model. The following primary inputs have been used:

	%	%
Discount rate	8.9 – 13.0	8.9 – 13.0
Occupancy rate	64 - 96	64 - 96

Note 13. Intangibles

Goodwill	129,060	579,458
Brand names	-	-
IT software	305,200	375,000
Total Intangibles	434,260	954,458

Reconciliations of the carrying amount of each class of intangible assets at the beginning and end of the current financial year are shown below:

Goodwill

Balance at the beginning of the year	579,458	1,444,077
Additions	-	-
	-	-
Other - adjustment to net assets on the acquisition of Wine Ark Pty Ltd		
Disposals	-	(864,619)
Impairment losses	(450,398)	-
	129,060	579,458

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 13. Intangibles (continued)

		Group 2013 $	Group 2012 $
Brand names			
	Balance at the beginning of the year	-	2,800,000
	Additions	-	-
	Disposals	-	(2,800,000)
	Impairment losses	-	-
		-	-
IT Software			
	Balance at the beginning of the year	375,000	90,724
	Additions	5,200	384,310
	Disposals	-	-
	Impairment losses	(75,000)	(100,034)
		305,200	375,000

Impairment testing of goodwill
Goodwill acquired through business combinations has been allocated to the Hornsby business operation.

The Group performed its annual impairment test at 30 June 2013. The recoverable amount of the Hornsby CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the Group's plans to exit the Hornsby centre when the lease expires in 2018. The pre-tax discount rate applied to cash flow projections is 7.5% (2012: 8%). It was concluded that the value-in-use of the centre did not exceed the carrying value of the goodwill. As a result of this analysis, management has recognised an impairment charge of $450,398 against goodwill previously carried at $579,458 which is recorded in the Statement of Comprehensive Income (2012: $nil).

Key assumptions used in value-in-use calculations
The calculation of value in use for the Hornsby business unit is most sensitive to the following assumptions:
- Discount rates
- Gross margins

Discount rates –The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Gross margins – Gross margins are based on average values achieved in preceding years. These are increased over the budget period for anticipated efficiency improvements. An increase of 1% per annum was applied for the Hornsby business unit.

Note 14. Trade and other payables

	2013 $	2012 $
Current		
Trade creditors	1,066,505	1,205,367
Other creditors and accruals	1,446,806	1,035,759
Related party payables (refer to Note 21)	3,814,908	4,185,761
Total trade and other payables	6,328,219	6,426,887

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 $	2012 $
Note 15. Provisions		
Current		
Annual leave	411,972	405,219
Long service leave	82,275	-
	494,247	405,219
Non-current		
Long service leave	203,198	284,653
Make good provision	220,667	-
	423,865	284,653
Reconciliation of movement in provisions		
Employee provisions		
Opening balance	689,872	621,999
Additional provisions raised during the year	604,152	434,647
Amounts used	(596,579)	(366,774)
Closing balance	697,445	689,872
Make good provision		
Opening balance	-	-
Additional provisions raised during the year	220,667	-
Amounts used	-	-
Closing balance	220,667	-

Note 16. Deferred revenue

	2013 $	2012 $
Deferred storage rent revenue	4,288,484	4,172,718
Prepaid coupon fee	716,500	-
	5,004,984	4,172,718

Deferred storage rent revenue is funds received in advance from customers for rental storage in future periods. Once the period is past, and the service is deemed to be provided, it is recognised as revenue.

Prepaid coupon fee is funds received in advance from APN Trust in relation to the agreement between APN and National Storage. For more details refer to Note 20(f).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 $	Group 2012 $

Note 17. Issued capital

(a) Issued and paid up capital

	2013 $	2012 $
Issued and paid up capital:		
A Class ordinary shares	1,000	1,000
Ordinary shares	2,799,334	2,799,334
	2,800,334	2,800,334

(b) Movements in shares on issue

	Number of shares 2013	Number of shares 2012
Beginning of the financial year		
A Class ordinary shares	1,000	1,000
Ordinary shares	1,000	1,000
Issued during the year		
Ordinary shares	-	-
End of the financial year	2,000	2,000

The company has authorised share capital of 2,000 ordinary shares at no par value. There are no shares issued and not fully paid.

(c) Terms and conditions of contributed equity

Ordinary shares
Ordinary shareholders have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

Note 18. Retained profits / (accumulated Losses)

	2013 $	2012 $
Retained profits / (accumulated losses)		
Balance at beginning of year	27,353,158	27,420,371
Dividends paid	(900,000)	-
Net profit/(loss) attributable to members of National Storage Pty Ltd	(531,660)	(67,213)
Transfer profits to profits reserve	-	-
Balance at end of year	25,921,498	27,353,158
Profits reserve		
Accumulated profits	-	-
Balance at end of year	25,921,498	27,353,158

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group	
	2013	2012
	$	$
Note 19. Dividend paid		
Declared dividend	900,000	-
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	3,772,828	4,158,542

Note 20. Financial instruments

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable, loans and leases. The main purpose of non-derivative financial instruments is to raise finance for the Group's operations. The Group does not have any derivative instruments at 30 June 2013.

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(b) Capital risk management

The Group's objectives, when managing capital, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and to maintain an optimal structure to reduce the cost of capital.

(c) Cash flow sensitivity analysis for variable rate instruments

The only variable interest rates that the entity is subject to is cash on deposit, therefore there is no risk of adverse impacts of movements in interest rates.

(d) Financial risk management

The main risks the Group is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk. The Group's risk management program seeks to minimise the potential adverse effects of the financial performance of the Group, by way of various measures detailed below.

The Board of directors analyses interest rate exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts.

Risk management is carried out by the board and key management personnel.

Liquidity Risk

Liquidity risk management requires the maintaining of sufficient cash and utilisation of credit facilities to meet financial liability commitments.

Monthly management and financial reporting focuses on the Group's profit and loss performance, balance sheet position and cash flow forecast. This analysis forms the basis for ensuring that the Group is able to pay its financial obligations as and when they fall due.

Note 20. Financial instruments (continued)

(d) Financial risk management (continued)

Maturities of financial liabilities

Trade and other payables
These are due to be repaid prior to 30 June 2014.

Credit risk
Credit risk arises from cash and cash equivalents and trade and other receivables.

Credit is managed by only depositing cash with reputable financial institutions that are well known for their financial security.

The Directors are of the opinion that credit risk in relation to customers is mitigated through a contractual lien over the contents stored in the rented units. The terms of the storage agreement are that, upon non-payment of debt, the contents of a customer's unit are auctioned in order to recover the amount owing.

Interest rate risk

The assessment of the interest rate risk exposure is effectively carried out on an ad hoc basis when loans are taken out or renewed. The Directors are of the opinion that such an approach is expedient given the size of borrowings and amount of cash on deposit, offsetting movements in interest rates.

2013	**Note**	**Floating Interest Rate**	**Fixed Interest Rate**	**Non-Interest Bearing**	**Total**
Financial assets					
Cash	7	363,430	-	18,100	381,530
Receivables	8	-	-	12,830,126	12,830,126
		363,430	-	12,848,226	13,211,656
Weighted average interest rate		2.75%	0%		
Financial liabilities					
Payables	14	-	-	6,328,219	6,328,219
Lease liability		-	169,985,221	-	169,985,221
		-	169,985,221	6,328,219	176,313,440
Weighted average interest rate		0.0%	7.57%		
Net financial assets / (liabilities)		**363,430**	**(169,985,221)**	**6,520,007**	**(163,101,784)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 20. Financial instruments (continued)

(d) Financial risk management (continued)
Interest Rate Risk (continued)

2012	Note	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Financial assets					
Cash	7	715,652	-	18,600	734,252
Receivables	8	-	-	10,268,751	10,268,751
		715,652	-	10,287,351	11,003,003
Weighted average interest rate		3.5%	0%		
Financial liabilities					
Payables	14	-	-	6,426,887	6,426,887
Lease liability		-	173,209,333	-	173,209,333
		-	173,209,333	6,426,887	179,636,220
Weighted average interest rate		0.0%	7.57%		
Net financial assets / (liabilities)		**715,652**	**(173,209,333)**	**3,860,464**	**(168,633,217)**

Sensitivity analysis of interest rate risk

	Increase/decrease in basis points	Effect on profit before tax
2013		
AUD	+50	5,455
AUD	+100	10,909
AUD	-50	(5,455)
AUD	-100	(10,909)
2012		
AUD	+50	9,448
AUD	+100	18,896
AUD	-50	(9,448)
AUD	-100	(18,896)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 20. Financial instruments (continued)

(e) Net fair value of financial assets and liabilities

The net fair value of financial assets and liabilities approximate their carrying value as disclosed in the Statement of Financial Position and in the notes to the financial statements.

	Carrying amount		Fair value	
	2013	2012	2013	2012
	$	$	$	$
Financial assets				
Trade and other receivables	12,830,126	10,268,751	12,830,126	10,268,751
Cash and short-term deposits	381,530	734,252	381,530	734,252
	13,211,656	11,003,003	13,211,656	11,003,003
Financial liabilities				
Trade and other payables	6,328,219	6,426,887	6,328,219	6,426,887
Lease liability	169,985,221	173,209,333	201,385,220*	205,440,267*
	176,313,440	179,636,220	207,713,439	211,867,154

The fair value of the financial assets and liabilities is included at the amount for which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to determine their fair values:
- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- * Lease liability includes property lease liabilities and motor vehicles. The fair value of the property lease liabilities is reflected in the fair value of the Investment Property Assets to which they relate.

(f) Pledges of collateral and associated borrowings

A group subsidiary, National Storage (Operations) Pty Ltd, and APN Fund Management Limited have entered into a joint borrowing agreement to meet the APN National Storage Property Trust's funding requirements. For this purpose, a Deed of Co-operation was signed (on 17 September 2010) whereby:

i. National Storage (Operations) Pty Ltd has pledged as security to the debt providers to the APN National Storage Property Trust, the business value associated with the respective APN owned properties.

ii. APN Funds Management Limited is required to make all payments in relation to the loan (interest, principle and any other payments). APN Funds Management Limited also indemnifies National Storage (Operations) Pty Ltd for any loss in the event APN Funds Management Limited fails to make these payments.

The carrying value of the assets pledged is equivalent to the property, plant and equipment assets of the 27 properties is $719,193 (2012: $644,992) plus any internally generated goodwill.

In return for this pledge National Storage (Operations) Pty Limited earns a coupon fee based on the agreed business value associated with the 27 National Storage businesses operating from these properties.

The coupon fee earned varies between 10% and 12% depending on the sources of the loans held by the APN National Storage Property Trust. A quarter is paid annually and the balance compounded to the end of the loan period (October 2013). This income is shown in note 4 Revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 20. Financial instruments (continued)

(f) Pledges of collateral and associated borrowings

Under the terms of the Deed of Co-operation, National Storage (Operations) Pty Ltd is required to continue operating these businesses in accordance with normal and prudent practice.

The pledge of Collateral is effective until:
- i. the expiry of the debt provided to APN National Storage Property Trust;
- ii. the sale of all properties; or
- iii. the written agreement of all parties.

No amounts have been recorded as guarantee provisions for the pledge of security on the basis that the directors believe the probability of any exercise of the security by lenders is remote.

Note 21. Directors and related party transactions

Directors
The following persons were directors during the reporting period.

Name of Director	Date of Appointment	Area of Responsibility
Andrew Catsoulis	13 December 2000	Acquisitions
Peter Greer	13 December 2000	Operations
Michael Berry	13 December 2000	Finance and Administration
Geoff McMahon	13 December 2000	Non-Executive Director

Directors' remuneration
No amounts are paid by the Group directly to the directors. Administration and director remuneration are provided to the Group by Strategic Storage Consulting Pty Ltd ("SSC"), a related entity to the Group. Strategic Storage Consulting Pty Ltd receives a management fee directly from the Group. Geoff McMahon does not receive any remuneration for his role as Non-Executive Director.

Transactions with directors and other related entities
During the year, management fees of $2,732,169 (2012: $3,423,121) were paid or payable by the Group. The Group owed SSC $222,764 at 30 June 2013 (2012: $664,172). SSC owed the Group $1,207,655 at 30 June 2013 (2012: $1,112,626).

Directors' loans
The Group has made loans to the directors, repayable within seven years from the date of disbursement. Such loans are unsecured and the interest rate is the average rate incurred on long-term loans (2013: 7.5%).

Director related entities

The shareholders of National Storage Pty Ltd have an investment (in the same shareholding proportions as National Storage Pty Ltd) in a trust NS APAC (and its trustee NS APAC Pty Ltd) which in turn has a 10% investment in Southern Cross Storage Trust and Southern Cross Storage Operations Pty Ltd (Southern Cross venture). The Southern Cross venture has an investment in 24 centres operated under the National Storage and Wine Ark brands

The executive directors (Catsoulis, Greer and Berry) are shareholders in Strategic Storage Consulting Pty Ltd, which is contracted to provide management services to both the National Storage and Southern Cross ventures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 21. Directors and related party transactions (continued)

The following table provides information regarding outstanding balances at 30 June 2013 and 2012 with related parties:

Loans to related parties		Interest received	Amounts owed by related parties
Directors' loans	**2013**	**285,996**	**5,598,138**
	2012	44,347	5,933,396

Aggregate amounts receivable from/(payable) to related parties by the Group were as follows:		Amounts owed to NS Group	Amounts owed by NS Group
Southern Cross Storage Trust	**2013**	**-**	**-**
	2012	-	-
Southern Cross Storage Operations Pty Ltd	**2013**	**2,361,750**	**(3,473,580)**
	2012	2,349,293	(3,247,589)
National Storage APAC	**2013**	**348,339**	**(118,564)**
	2012	-	(274,000)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Note 22. Key management personnel

Details of Key management personnel

Name of Director	Date of Appointment	Area of Responsibility
Andrew Catsoulis	13 December 2000	Acquisitions
Peter Greer	13 December 2000	Operations
Michael Berry	13 December 2000	Finance and Administration
Geoff McMahon	13 December 2000	Non-Executive Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Group	
	2013	2012
	$	$

Note 22. Key management personnel (continued)

Compensation of key management personnel

Remuneration of KMP is paid by Strategic Storage Consulting Pty Ltd, as per its service agreement. The KMP do not receive any remuneration directly from the Group and there are no agreements in place between the KMP and the Group. The remuneration disclosed below has been recognised in Strategic Storage Consulting Pty Ltd.

Compensation shown as short term benefits means (where applicable) wages and salaries, paid annual leave and paid sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

	2013 $	2012 $
Short-term benefits	289,738	203,625
Post-employment benefits	42,583	26,099
Long-term benefits	-	-
Share-based payments	527,075	419,189
Termination payments	-	-
Total	859,396	648,913

Note 23. Expenditure commitments

a) Lease expenditure commitments for:

	2013 $	2012 $
Finance leases for motor vehicles		
Not later than one year	9,541	-
Later than 1 year but not later than 5 years	47,610	-
Later than 5 years	-	-
	57,151	-
Motor vehicle leases		
Current	9,541	-
Non-current	47,610	-
Total	57,151	-
Property leases		
Not later than one year	28,543,704	27,023,523
Later than 1 year but not later than 5 years	138,436,060	140,077,458
Later than 5 years	73,442,154	78,642,477
Total minimum lease payments	240,421,918	245,743,458
Less amounts representing finance charges	(70,493,848)	(72,534,125)
Present value of minimum lease payments	169,928,070	173,209,333
Property lease liabilities		
Current	16,234,482	14,404,102
Non-current	153,693,588	158,805,231
	169,928,070	173,209,333

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 23. Expenditure commitments (continued)

	Group 2013 $	Group 2012 $
Total leases		
Current	16,244,023	14,404,102
Non-current	153,741,198	158,805,231
	169,985,221	173,209,333

c) Sponsorship commitments not provided for:

During the year, National Storage entered into a sponsorship agreement with the Brisbane Lions.

	2013 $	2012 $
Not later than one year	1,000,000	-
Later than 1 year but not later than 5 years	1,750,000	-
Later than 5 years	-	-
	2,750,000	-

Note 24. Subsidiaries

Name of Controlled Entity	Place of Incorporation	Percentage Owned 2013 %	Percentage Owned 2012 %
Parent Company			
National Storage Pty Ltd	Qld		
Subsidiaries			
National Storage (Operations) Pty Ltd	Qld	100	100
National Storage (Properties) Pty Ltd	Qld	100	100
NS Victoria Pty Ltd	Qld	100	100
National Storage Investments Pty Ltd	Qld	100	100
Wine Ark Pty Ltd	NSW	100	100

Note 25. Trust liabilities and contingencies

A group Company, National Storage Investments Pty Ltd, acts solely as trustee of the National Storage Investment Trust. No liabilities have been incurred on behalf of the trust in the Company's capacity as corporate trustee.

Liabilities that are incurred on behalf of the trust are not recognised in the financial statements when it is not probable that the Company will have to meet any of those trust liabilities from its own resources. When it is probable that the Company will have to meet some trust liabilities, a liability for the Deficiency in Trust Right of Indemnity is brought to account.

At 30 June 2013, the trust had no liabilities and only held cash reserves.

A contingent liability exists relative to any future claims which may be made against the Company arising from trusteeship dealings.

The trust has been dormant all financial year and the Directors have no plans to utilise the Trust.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 26. Auditor's remuneration

	Group 2013 $	Group 2012 $
Amounts received or due and receivable by Ernst & Young for:		
- an audit or review of the financial report of the entity and any other entity in the Group	22,278	21,000
- non-audit services - tax	46,505	125,804

Note 27. Events after reporting date

On 24 October 2013, the Directors of National Storage Pty Ltd declared a dividend on the ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $5,598,138, which represents a fully franked dividend of $2,799 per share. The dividend has not been provided for in the 30 June 2013 financial statements.

No other circumstances have arisen since the end of the financial year which have significantly affected, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 28. Segment reporting

National Storage Pty Ltd and its subsidiaries has identified its operating segments based on the internal reporting that are reviewed and used by the Group's chief decision makers, being the Directors of National Storage.

The Group operates wholly within one business and geographic segment being the operation and management of storage centres in Australia.

The operating results presented in the Statement of Comprehensive Income represents the same segment information as reported to the Directors.

National Storage does not have any customers which represent greater than 10% of total revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 29. Parent entity financial information

Summary financial information

The individual financial statements for National Storage Pty Ltd, the parent entity, show the following aggregate amounts:

	2013 $	2012 $
Balance sheet		
Current assets	6,935,886	7,436,525
Total assets	15,878,098	11,615,333
Current liabilities	11,819,287	6,610,358
Total liabilities	11,819,287	6,610,358
Net assets	4,058,811	5,004,975
Shareholders' Equity		
Issued capital	2,800,334	2,800,334
Retained earnings	1,258,477	2,204,641
	4,058,811	5,004,975
Profit or (loss) for the year	(46,164)	5,662,542

Note 30. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Group	
	2013 $	2012 $
Loss used in calculating earnings per share	(531,660)	(67,213)
Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	2,000	2,000
Effect of dilution	-	-

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of National Storage Pty Ltd, I state that:

In the opinion of the directors:

a) the financial statements and notes of National Storage Pty Ltd and its subsidiaries for the financial year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of its financial position as at 30 June 2013 and performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Act 2001;

b) the financial statements and notes comply with the International Financial Reporting Standards as disclosed in Note 2(b); and
c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

M Berry
Director

Brisbane
25 October 2013

Building a better working world

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

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

Independent auditor's report to the members of National Storage Pty Ltd

We have audited the accompanying financial report of National Storage Pty Ltd ("the consolidated entity") , which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising National Storage Pty Ltd and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Opinion

In our opinion:

a. the financial report of National Storage Pty Ltd is 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 2013 and of its performance for the year ended on that date; and

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

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

Ernst & Young

Ernst & Young

Mike Reid
Partner
Brisbane
25 October 2013