

APN | National Storage Property Trust

ARSN 101 227 712

and its Controlled Trust

Annual Report for the Financial Year

Ended 30 June 2011

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) (the Responsible Entity) submit herewith the annual financial report of APN National Storage Property Trust and of its controlled trust (the Trust) for the year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Responsible Entity during or since the end of the financial year are:

Name

John Harvey
David Blight
Howard Brenchley
Geoff Brunson
Michael Johnston

Principal activities

The Trust is a registered managed investment trust domiciled in Australia. The principal activity of the Trust is to invest in properties with strong lease covenants, secure income streams and potential for capital growth.

There has been no significant change in the activities of the Trust during the financial year.

The Trust did not have any employees during the year.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Trust.

Future developments

Disclosure of information regarding likely developments in the operations of the Trust in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Trust. Accordingly, this information has not been disclosed in this report.

Review of operations

The principal investment objective of the Trust is to maximise unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

Debt facilities

During the financial year the Responsible Entity successfully completed the refinancing of the Trust's debt facilities. On 17 September 2010, the existing facility held with Suncorp was repaid in full and a new facility with National Australia Bank (NAB) was drawn down. The NAB senior debt facility was drawn for a term of three years expiring in September 2013. The existing mezzanine facility held with Gresham was extended until March 2013. However, if the mezzanine facility has not been repaid, cancelled or refinanced on or before 31 December 2012, the senior debt lender may at any time thereafter demand repayment of both facilities.

During the financial year the overall debt level was reduced by \$2,869,000 using cash reserves built up in the Trust as a result of the suspension of distribution payments to unitholders.

Results

The results of the operations of the Trust are disclosed in the statement of comprehensive income of these financial statements. The net profit for the year ended 30 June 2011 was \$4,240,000 (2010: \$4,340,000).

Distributions

In order to continue to reduce debt levels and strengthen the Trust's balance sheet the Responsible Entity chose to suspend the payment of income distributions to unitholders for the first half of the financial year. Upon successful completion of the refinancing of the Trust's debt facilities, distribution payments recommenced from the quarter ending 31 March 2011. The distribution rate paid was significantly less than the rate at which distributions were previously paid to unitholders. This is as a result of an increase in the Trust's cost of capital and ongoing amortisation obligations contained in the Gresham mezzanine facility.

In respect of the financial year ended 30 June 2011 a final distribution of 0.5 cents per unit was paid to unitholders on 1 August 2011 (2010: 0.35354 cents per unit).

For full details of distributions paid and payable during the year, refer to note 5 to the financial statements.

Auditor's independence declaration

The Auditor's independence declaration is included on page 5 of the annual report.

Subsequent events

On 9 September 2011 the Responsible Entity entered into a contract of sale with the Southern Cross Storage Trust for the sale of nine properties. Settlement is due to occur on or around 23 September 2011.

The total sale price of the portfolio of properties is \$64.73 million, which represents a 6.4% discount to the fair value of the properties as at 30 June 2011. The proceeds of the sale will be used to:

- repay the \$22.812 million mezzanine debt facility held with Gresham in full;
- reduce the senior debt facility held with NAB by approximately \$36.3 million to \$109.5 million or less;
- make a one off payment to NSO of \$5.178 million being the amount of coupon accrued and payable to 30 June 2012.

The Responsible Entity believes this deal is in the best interest of unitholders for the following reasons:

- the deal is accretive to earnings as it reduces the cost of debt and gearing levels and improves the terms of the senior debt facility with NAB;
- the interest margin on the senior debt will be reduced as the LVR falls below 49%;
- the deal improves ICR forecasts ensuring all covenants within the senior debt facility are maintained;
- the expensive mezzanine debt currently at 18% will be repaid in full;
- improved earnings and cashflow may result in increased distributions paid to unitholders.

Apart from the above, there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Trust, the results of the Trust, or the state of affairs of the Trust in future financial years.

Trust information in the directors' report

Fees paid to the Responsible Entity out of Trust property during the financial year are disclosed in note 10 to the financial statements.

The number of units in the Trust held by the Responsible Entity as at the end of the financial year is disclosed in note 10 to the financial statements.

The number of interests in the Trust issued during the financial year, withdrawals from the Trust during the financial year, and the number of interests in the Trust at the end of the financial year is disclosed in note 8 to the financial statements.

The value of the Trust's assets as at the end of the financial year is disclosed in the Statement of financial position as "Total assets" and the basis of valuation is included in note 1 to the financial statements.

Options granted

No options were:

- Granted over unissued units in the Trust during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Trust were under option as at the date on which this report is made. No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

Indemnification of officers of the Responsible Entity and auditors

During or since the end of the financial year, the Responsible Entity has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Trust or of any related body (corporate) against a liability incurred as such an officer or auditor. In addition, the Responsible Entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Trust.

Rounding off of amounts

The Trust is a Trust of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, consisting of a horizontal line that loops back and crosses itself.

David Blight
Director
MELBOURNE, 15 September 2011

The Board of Directors
APN Funds Management Limited
Level 30
101 Collins St
MELBOURNE VIC 3000

Dear Directors

INDEPENDENCE DECLARATION – APN NATIONAL STORAGE PROPERTY TRUST AND ITS CONTROLLED TRUST

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity, APN Funds Management Limited regarding the annual financial report for APN National Storage Property Trust and its Controlled Trust.

As lead audit partner for the audit of the financial statements of APN National Storage Property Trust and its Controlled Trust for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 15 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF APN NATIONAL STORAGE PROPERTY TRUST AND ITS CONTROLLED TRUST

We have audited the accompanying financial report of APN National Storage Property Trust ("the Trust") and its Controlled Trust (together "the Consolidated Trust"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entity it controlled at the year's end or from time to time during the financial year as set out on pages 8 to 27.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated 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 Consolidated Trust's internal control. 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Consolidated Trust, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of APN National Storage Property Trust and its Controlled Trust is in accordance with the *Corporations Act 2001*, including:
- (b)
 - (i) giving a true and fair view of the Consolidated Trust's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (c) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 15 September 2011

Directors' declaration

The directors of the Responsible Entity declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Trust;
- c) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as referred to in Note 1 of the financial statements.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



David Blight
Director
MELBOURNE, 15 September 2011

Statement of comprehensive income
for the financial year ended 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Income			
Rental		25,289	25,317
Interest		79	108
Changes in the fair value of property investments		2,419	(1,018)
Changes in the fair value of financial assets		(1,315)	(111)
Realised loss on sale of property investments		-	(87)
Total income		26,472	24,209
Expenses			
Investment management fee		1,272	928
Custodian fee		67	70
Other expenses		671	697
Auditor's remuneration	9	57	74
Finance costs		20,165	18,100
Total expenses		22,232	19,869
Net profit		4,240	4,340
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		4,240	4,340

Notes to the financial statements are included on pages 13 to 27.

Statement of financial position
as at 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Assets			
Cash and cash equivalents		2,722	3,033
Receivables and other assets	2	18,152	18,824
Investment properties	3	249,850	247,431
Total assets		270,724	269,288
Liabilities			
Payables	4	6,291	3,782
Distribution payable	5	465	982
Interest bearing liabilities	6	165,864	171,090
Other liabilities	7	1,361	-
Total liabilities		173,981	175,854
Net assets		96,743	93,434
Equity attributable to unitholders			
Contributed equity		89,322	89,322
Retained earnings		7,421	4,112
Total equity	8	96,743	93,434

Notes to the financial statements are included on pages 13 to 27.

Statement of changes in equity
for the financial year ended 30 June 2011

	Consolidated		
	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2009	89,322	101	89,423
Net profit for the year	-	4,340	4,340
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	4,340	4,340
Distributions paid to investors	-	(329)	(329)
Balance at 30 June 2010	89,322	4,112	93,434
Net profit for the year	-	4,240	4,240
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	4,240	4,240
Distributions paid to investors	-	(931)	(931)
Balance at 30 June 2011	89,322	7,421	96,743

Notes to the financial statements are included on pages 13 to 27.

Statement of cash flows
for the financial year ended 30 June 2011

	Note	Consolidated	
		2011 Inflows/ (Outflows) \$'000	2010 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rental income received		24,676	24,021
Interest received		87	110
Other expenses paid		(1,976)	(3,362)
Net cash provided by operating activities	11(b)	22,787	20,769
Cash flows from investing activities			
Payments associated with investment properties		-	(183)
Proceeds from disposal of investment properties		-	3,850
Net cash provided by investing activities		-	3,667
Cash flows from financing activities			
Distributions paid		(1,448)	(9)
Finance costs paid		(18,781)	(15,872)
Repayment of borrowings		(148,659)	(10,457)
Proceeds from borrowings		145,790	-
Net cash used in financing activities		(23,098)	(26,338)
Net decrease in cash and cash equivalents held		(311)	(1,902)
Cash and cash equivalents at beginning of the financial year		3,033	4,935
Cash and cash equivalents at end of the financial year	11(a)	2,722	3,033

Notes to the financial statements are included on pages 13 to 27.

Notes to the financial statements

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with the A-IFRS ensures that the financial statements and notes of the Trust comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 15 September 2011.

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements.

Adoption of new and revised accounting Standards and Interpretations

In the current year, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These include:

Standards affecting presentation and disclosure

Amendments to AASB7 'Financial instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
Amendments to AASB 107 'Statement of Cash Flows'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Rounding off of amounts

The Trust is a Trust of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year end financial report:

(a) Investment income

Distribution income is recognised on a receivable basis as of the date the unit value is quoted ex-distribution or is recognised on an entitlement basis.

Rental income from investment properties is recognised on a straight line basis over the lease term. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial assets.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(c) Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value. Gains or losses arising from changes in the fair value of investments are included in profit and loss in the period in which they arise.

(d) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

(e) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit and loss in the period in which they arise.

(f) Expenses

All expenses, including responsible entity fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Distributions

In accordance with the Trust's constitution, the Trust fully distributes its distributable (taxable) income, and any other amounts determined by the responsible entity, to unitholders by way of cash or reinvestment into the Trust.

Distributions to unitholders comprise the income of the Trust to which the unitholders are presently entitled. The distributions are payable quarterly.

(h) Applications and redemptions

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemptions prices are determined as the net asset value of the Trust adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(j) Income tax

Under current income tax legislation the Trust is not liable to pay income tax as the net income of the Trust is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Trust. There is no income of the Trust to which the unitholders are not presently entitled and additionally, the Trust Constitution requires the distribution of the full amount of the net income of the Trust to the unitholders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Trust, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Trust to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Trust Constitution.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

(l) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. Objective evidence of impairment can exist for example where there has been a significant or prolonged decline in the fair value below cost. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Payables

Trade payables and other accounts payable are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at balance date.

(n) Derivative financial instruments

The Trust enters into derivative financial instruments such as interest rate swaps, to manage its exposure to interest rates. Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

(o) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(p) Provisions

Provisions are recognised when the Trust has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Trust has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(q) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved where the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(r) AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▪ AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
▪ AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13)	1 January 2011	30 June 2012
▪ AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
▪ AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
▪ AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Financial arising from AASB 9	1 January 2013	30 June 2014
▪ AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Financial arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
▪ AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013	30 June 2014

The following IASB Standards and IFRIC Interpretations are also in issue but not yet effective, although Australian equivalent Standards/Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<p>Improvements to IFRSs (2010)</p> <ul style="list-style-type: none"> ▪ Amends seven pronouncements (plus consequential amendments to various others) as a result of the IASB's 2008-2010 cycle of annual improvements. 	Generally effective for annual reporting periods beginning on or after 1 January 2011 (IFRS 3/IAS 27 transition clarifications 1 July 2010)	Optional (once an equivalent pronouncement is issued by AASB)
<ul style="list-style-type: none"> ▪ IAS 1 (Revised) Amendments to IAS 1 Presentation to Financial Statements 	1 January 2012	30 June 2013
<ul style="list-style-type: none"> ▪ IFRS 10 Consolidated Financial Statements 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> ▪ IFRS 11 Joint Arrangements 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> ▪ IFRS 12 Disclosure of Involvement with Other Entities 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> ▪ IFRS 13 Fair Value Measurement 	1 January 2013	30 June 2014

2. Receivables

	2011 \$'000	2010 \$'000
Leased asset	17,850	17,169
Financial asset	109	63
Prepaid expenses	193	1,584
Interest receivable	-	8
	18,152	18,824

3. Investments

	2011 \$'000	2010 \$'000
Investment properties at fair value		
Carrying amount at the beginning of the period	247,431	252,203
Additions	-	-
Disposals	-	(3,850)
Costs associated with investment properties	-	183
Realised loss on sale of investment properties	-	(87)
Change in fair value of investment properties	2,419	(1,018)
Carrying amount at the end of the period	249,850	247,431

The investment portfolio consists of 37 properties located throughout Australia. The carrying amount of the properties is fair value. For eight of the properties, fair value was determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. This independent valuation was performed by m3property and dated 30 June 2011.

A directors' valuation was used to determine the fair value of the remaining properties. The methodology and market evidence used in the independent valuations was replicated and used to determine the fair value as at 30 June 2011.

Fair values were determined using the capitalisation of net passing income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Trust's investment property.

Investment property comprises a number of retail properties that are leased to third parties. Each of the leases contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee.

Leases as lessor

The Trust leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2011 \$'000	2010 \$'000
Less than one year	25,347	24,608
Between one and five years	109,222	106,040
More than five years	129,949	158,477
	264,518	289,125

4. Payables

	2011 \$'000	2010 \$'000
Accounts payable	988	763
Accrued expenses	2,979	762
Prepaid rent	2,324	2,256
	6,291	3,781

5. Distributions paid and payable

	2011		2010	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	0.5	466	-	-
Distribution payable for current period	0.5	465	0.35354	329
Distribution payable for prior period	-	-	0.70258	653
	1.0	931	1.05612	982

6. Interest bearing liabilities

	2011 \$'000	2010 \$'000
Secured bank loans – senior debt	142,992	145,427
Secured bank loans – mezzanine debt	22,872	25,663
	165,864	171,090

The bank loans are secured by registered first mortgage over the Trust's investment properties. The loans are payable in March 2013 and September 2013 as described below and bear interest payable monthly.

During the financial year the Responsible Entity successfully completed the refinancing of the Trust's debt facilities. On 17 September 2010, the existing facility held with Suncorp was repaid in full and a new facility with National Australia Bank (NAB) was drawn down.

The NAB senior debt facility was drawn for a term of three years expiring in September 2013. The existing mezzanine facility held with Gresham was extended until March 2013. However, if the mezzanine facility has not been repaid, cancelled or refinanced on or before 31 December 2012, the senior debt lender may at any time thereafter demand repayment of both facilities.

7. Other liabilities

	2011 \$'000	2010 \$'000
Financial liabilities	1,361	-
	1,361	-

8. Equity

	2011 Units	2010 Units
Units on Issue		
On issue at beginning of the year	93,055,632	93,055,632
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at year end	93,055,632	93,055,632

	2011 \$'000	2010 \$'000
Movements in equity		
At beginning of the year	93,434	89,423
Unit applications	-	-
Unit redemptions	-	-
Units issued upon reinvestment of distributions	-	-
Net profit/(loss) for the period	4,240	4,340
Distributions paid to unitholders	(931)	(329)
Total equity	96,743	93,434

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

9. Auditor's remuneration

	2011 \$	2010 \$
Auditor of the Trust		
Auditing or reviewing the financial report	35,809	37,777
Other non-audit services*	21,392	36,512
	57,201	74,289

*Other non-audit services include tax, audit of compliance plan and other approved advisory services. The auditor of the Trust is Deloitte Touche Tohmatsu.

10. Related party disclosures

The Responsible Entity of APN National Storage Property Trust is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to the APN Property Group are disclosed below.

APN Funds Management Limited also acts as the manager of the Trust.

Transactions with related parties have taken place at arms length and in the ordinary course of business. The following related party transactions took place during the period:

- Investment management fees of \$1,272,000 (2010: \$928,000) were paid to the Responsible Entity.
- Registry and accounting fees of \$63,000 (2010: \$63,000) were paid to the Responsible Entity.

Key management personnel

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

The names of the key management personnel of the Responsible Entity during the financial year were:

- Christopher Aylward
- Howard Brenchley (Director)
- Clive Appleton
- David Blight (Director)
- John Harvey (Independent Non Executive Director)
- Geoff Brunson (Independent Non Executive Director)
- Michael Johnstone (Independent Non Executive Director)
- John Freemantle (Chief Financial Officer)

The positions noted above for the Trust's key management personnel are the positions held within the Responsible Entity and not the Trust itself.

Key management personnel compensation

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

Holdings of units by related parties

Related parties may purchase and sell units in the Trust in accordance with their respective constitutions and product disclosure statements. Details of units held in the Trust by related parties are set out below:

	Number of units held	
	2011	2010
Responsible entity and its associates		
APN Property For Income Fund	3,032,789	3,032,789
APN Property For Income Fund No.2	2,654,867	2,654,867
APN Direct Property Fund	7,652,164	7,652,164

Related party investments held by the Trust

The Trust may purchase and sell units in other approved trusts managed by APN Funds Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitutions of those trusts.

The Trust has no investment in APN Funds Management Limited, its associates or in other approved trusts managed by APN Funds Management Limited (2010: Nil).

During or since the end of the financial year, none of the key management personnel held units in the Trust, either directly, indirectly, or beneficially.

Directors' loans

No loans were made by the Trust to the key management personnel and / or their related parties.

11. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

	2011 \$'000	2010 \$'000
Cash	2,722	3,033
Total cash and cash equivalents	2,722	3,033

(b) Reconciliation of profit for the period to net cash provided by operating activities

	2011 \$'000	2010 \$'000
Net profit /(loss)	4,240	4,340
Adjustments for:		
Rental income recognised on straight lining basis	(681)	(1,332)
Realised loss on sale of property investments	-	87
Change in fair value of property investments	(3,100)	(315)
Change in fair value of derivative assets	1,315	111
Amortisation of borrowing costs	1,377	1,494
Write-down of investment property	681	1,332
Interest paid classified as financing activity	18,780	15,872
Changes in net assets:		
(Increase)/decrease in receivables and other assets	(142)	(1,489)
Increase/(decrease) in payables	317	669
Net cash provided by operating activities	22,787	20,769

(c) Non-cash financing and investing activities

During the year no income distributions were reinvested by unitholders for additional units in the Parent Trust (2010: Nil).

12. Financial risk management

The Trust undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- derivatives;
- payables;
- borrowings.

These activities expose the Trust to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Trust's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the board of directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

(a) Financial risk management objectives

The Trust outsources the investment management to APN Funds Management Limited, who provide services to the Trust, co-ordinate access to domestic financial markets, and manages the financial risks relating to the operations of the Trust in accordance with an investment mandate set out in accordance with the Trust's constitution and product disclosure statement. The Responsible Entity has determined that the appointment of these managers is appropriate for the Trust and is in accordance with the Trust's investment strategy.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Trust is exposed.

The Trust's investment objective is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative

purposes. The use of financial derivatives is governed by the Trust's investment policies, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Trust is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Trust.

Trust Company Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Trust's activities expose it primarily to the financial risks of changes in interest rates. The Trust enters into derivative financial instruments to manage its exposure to interest rate risk, including:

- interest rate cap transactions to mitigate the risk of rising interest rates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Trust consists of cash and cash equivalents and the proceeds from the issue of the units of the Trust. An investment made by unitholders into the Trust is considered medium to long term and illiquid. There is currently no market on which units may be traded and there are no buy-back, redemption or withdrawal facilities available to unitholders at this present time. The Responsible Entity has a focused strategy to grow unitholder value. In the past future acquisitions by the Trust have been considered to achieve this result. Strict investment criteria have been developed to ensure that any future acquisitions are not value dilutive, for the Trust, on either a yield or net asset basis.

(d) Categories of financial instruments

The Trust has investments in the following categories of financial assets and liabilities:

	2011 \$'000	2010 \$'000
Financial assets designated as at fair value through profit and loss	109	63
Loans and receivables	18,043	18,939
Financial liabilities measured at amortised cost	(176,779)	(176,296)

The carrying amount of interest-bearing liabilities for the Trust as at 30 June 2011 is \$168,662,000 (2010: \$171,531,000).

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Trust. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Trust has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default.

The Trust's investment objective is to find high quality tenants predominately with a stable credit history. The Trust measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2011 and at 30 June 2010 is the carrying amounts of financial assets recognised in the balance sheet of the Trust. The Trust holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

The Trust has significant credit risk exposure to one single counterparty being National Storage Operations, the lessee of all of the properties held by the Trust. Thorough assessment of the credit quality of the customer has been undertaken and its operations are reviewed on a continuous basis. National Storage Operations is a market leader in key storage markets and due to the consistent growth the counterparty has experienced in both revenue and occupancy the Responsible Entity does not believe a high level of credit risk exists.

Derivative counterparties and cash transactions are limited to financial institutions that meet the Responsible Entity's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Trust is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Trust's operations.

(f) Liquidity risk

Liquidity risk includes the risk that the Trust, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Trust manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To help reduce these risks the Trust:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested in various types of liquid instruments ranging from highly liquid to liquid instruments.

The Trust's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. However, as unitholders are unable to withdraw their units at any time, the Trust is therefore not exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Trust's main liquidity risk is its ability to refinance its current borrowings. Realised profits generated by the Trust are to be returned to unitholders as described in the Trust's Constitution and as such realised profits are not used to support the refinancing activities of the Trust. To assist in mitigating refinancing risk the Responsible Entity is in regular contact with the financial institutions.

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Trust's assessment of liquidity risk:

	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2011 Liabilities					
Accounts payable	(4,082)	-	(2,209)	-	(6,291)
Distribution payable	(465)	-	-	-	(465)
Interest bearing liabilities	(3,073)	(9,193)	(182,899)	-	(195,165)
	(7,620)	(9,193)	(185,108)	-	(201,921)

	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2010 Liabilities					
Accounts payable	(3,782)	-	-	-	(3,782)
Distribution payable	(982)	-	-	-	(982)
Interest bearing liabilities	(1,424)	(175,197)	-	-	(176,621)
	(6,188)	(175,197)	-	-	(181,385)

The Trust is able to sufficiently meet its liquidity obligations through the receipt of rental income, via re-financing of debt or the realisation of the sale of investment properties where required.

(g) Market risk

Market risk is the risk that the fair value of future cash flows of the Trust's financial instruments will fluctuate because of changes in market conditions or factors. The Investment Manager manages the financial risks relating to the operations of the Trust in accordance with an investment mandate set out in accordance with the Trust's constitution and product disclosure statement. The Trust's investment mandate is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth. There has been no change to the Trust's exposure to market risk or the manner in which it manages and measures the risk. The component of market risk to which the Trust is exposed is interest rate risk.

Interest rate risk

The Trust's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Trust's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of \$2,722,000 (2010: \$3,033,000) with a weighted average interest rate of 4.05% (2010: 3.49%).

Liabilities: Interest-bearing liabilities at amortised cost of \$168,662,000 (2010: \$171,531,000) with a weighted average interest rate of 7.64% (2010: 9.14%).

Derivatives - interest rate cap contracts

During the period the Trust entered into a new debt facility with a floating interest rate being applied. An interest rate swap transaction has been entered into thereby fixing the interest rate on the debt at a rate of 5.62%. An interest rate cap transaction has also been entered into with a cap rate of 6.5% being applied thereby mitigating the Trust's exposure to rising interest rates in the future.

The following table details the notional principal amounts and fair value of the interest rate cap contract outstanding:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value (assets)	Fair value (liabilities)
			\$	\$'000	\$'000
As at 30 June 2011					
Interest rate swaps	September 2013	Interest rates	120,000,000	-	(1,361)
Interest rate caps	September 2013	Interest rates	120,000,000	109	-
				109	(1,361)

The interest rate swaps and interest rate caps settle on a monthly basis. The floating rate on the debt being applied is the Australian BBSY. The counterparty settles the difference between the fixed and floating interest rate if the fixed rate is breached on a net basis.

All interest rate swap and interest rate cap contracts are designated as cash flow hedges in order to reduce the Trust's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap payments, interest rate cap payments and the interest payments on the loan occur monthly.

The following table details the notional principal amounts and fair values of interest rate cap contract outstanding as at the previous reporting date:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value (assets)	Fair value (liabilities)
			\$	\$'000	\$'000
As at 30 June 2010					
Interest rate cap	October 2010	Interest rates	157,000,000	63	-
				63	-

Interest rate sensitivity

The sensitivity analysis below have been determined based on the Trust's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 250 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Trust operates. Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

For Trust, a 250 basis point increase in interest rates would have decreased net profit, and decreased total equity by \$4,206,000 (2010: a 250 basis point increase resulting in a decrease of \$4,276,000); an equal change in the opposite direction would have increased net profit before finance costs attributable to unitholders, and increased total equity by \$4,206,000 (2010: a 250 basis point decrease resulting in a decrease of \$4,276,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2010.

(h) Fair value of financial instruments

The directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2011, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value measurement as at 30 June 2011			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at FVTPL				
Derivative financial assets	-	109	-	109
Total	-	109	-	109
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit of loss	-	(1,361)	-	(1,361)
Total	-	(1,361)	-	(1,361)

	Fair value measurement as at 30 June 2010			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at FVTPL				
Derivative financial assets	-	63	-	63
Total	-	63	-	63
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit of loss	-	-	-	-
Total	-	-	-	-

- Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1 include listed property securities traded on the Australian Stock Exchange (ASX).
- Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include financial derivatives whose fair value have been determined using dealer quotations.
- Classified within level 3 are financial instruments whose values are derived from significantly unobservable inputs as there is no active market.

13. Consolidated trusts

	Country of incorporation	Ownership interest	
		2011	2010
Parent Trust			
APN National Storage Property Trust	Australia		
Controlled Trust			
National Storage Victorian Property Trust	Australia	100%	100%

14. Parent entity disclosures

Financial position

	2011 \$'000	2010 \$'000
Assets		
Current assets	8,886	9,019
Non-current assets	264,688	262,941
Total assets	273,574	271,960
Liabilities		
Current liabilities	6,122	4,149
Non-current liabilities	170,709	174,377
Total liabilities	176,831	178,526
Net assets	96,743	93,434
Equity attributable to unitholders		
Contributed equity	89,322	89,322
Retained earnings	7,421	4,112
Total equity	96,743	93,434

Financial performance

	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Net profit/(loss)	4,240	4,340
Other comprehensive income	-	-
Total comprehensive income	4,240	4,340

During the financial year ended 30 June 2011, the parent entity did not enter into any guarantees in relation to debts of its subsidiaries (2010: Nil).

Other than as referred to in Note 15, there are no contingent liabilities or contractual commitments for acquisitions of property, plant or equipment as at 30 June 2011 in the parent entity (2010: Nil).

15. Contingent liabilities and contingent assets

The Trust has received an assessment from the State Revenue Office of Victoria for \$3,172,950 in relation to a possible obligation to pay stamp duty on the transfer of the Victorian properties to the custodian. The assessment is being disputed by the Responsible Entity. The Responsible Entity had obtained a deed of indemnity for the full exposure from National Storage Operations Pty Limited, the previous owner of the properties at the time the Trust began its operations. Consequently, the Responsible Entity anticipates that any possible liability will ultimately be borne by National Storage Operations Pty Limited and not the Trust. There has not been any further development in relation to this matter at the date of authorisation of this financial report.

16. Subsequent events

On 9 September 2011 the Responsible Entity entered into a contract of sale with the Southern Cross Storage Trust for the sale of nine properties. Settlement is due to occur on or around 23 September 2011.

The total sale price of the portfolio of properties is \$64.73 million, which represents a 6.4% discount to the fair value of the properties as at 30 June 2011. The proceeds of the sale will be used to:

- repay the \$22.812 million mezzanine debt facility held with Gresham in full;
- reduce the senior debt facility held with NAB by approximately \$36.3 million to \$109.5 million or less;
- make a one off payment to NSO of \$5.178 million being the amount of coupon accrued and payable to 30 June 2012.

The Responsible Entity believes this deal is in the best interest of unitholders for the following reasons:

- the deal is accretive to earnings as it reduces the cost of debt and gearing levels and improves the terms of the senior debt facility with NAB;
- the interest margin on the senior debt will be reduced as the LVR falls below 49%;
- the deal improves ICR forecasts ensuring all covenants within the senior debt facility are maintained;
- the expensive mezzanine debt currently at 18% will be repaid in full;
- improved earnings and cashflow may result in increased distributions paid to unitholders.

Apart from the above, there have been no other matters or circumstances that have significantly affected or may significantly affect the Trust.

17. Additional information

APN Funds Management Limited, a private company incorporated and operating in Australia, is the Responsible Entity of APN National Storage Property Trust.

Principal registered office

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Principal place of business

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