APN Funds Management Limited
ABN 60 080 674 479
AFSL 237500

Level 30, 101 Collins Street
Melbourne, Victoria 3000 Australia

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010
Investor Services 1800 996 456
Adviser Services 1300 027 636
W www.apngroup.com.au
E apn@apngroup.com.au

Correspondence to:
PO Box 18011
Melbourne Collins Street East
Victoria 8003

APN | Funds Management

30 October 2009

BSX Announcements Office
Bendigo Stock Exchange Ltd
PO Box 323
BENDIGO VIC 3552

By email: announcements@bsx.com.au

Dear Sir

APN Regional Property Fund (BSX code: APR) | ARSN 110 488 821

Refinance

APN Funds Management Limited (APN FM) as Responsible Entity for the APN Regional Property Fund advises that it has renewed the Fund's bank debt facility for a further 3 years with the Commonwealth Bank of Australia (CBA).

The new $35m Cash Advance Facility will be drawn down on 2 November 2009. In order to secure the support of CBA, APN FM has agreed to reduce the existing facility by $2.5m. The initial loan-to-valuation ratio (LVR) at drawdown will be 60.0%.

A key requirement of the new facility will be the requirement to reduce the LVR to below 55%. Whilst the LVR remains above 55%, 50% of cash earnings must be applied to reducing debt prior to making distributions. The key terms of the facility are as follows:

Lender –	Commonwealth Bank of Australia Limited
Borrower –	APN Funds Management Limited as Responsible Entity for the APN Regional Property Fund
Accommodation Limit –	$35m
Term –	3 years (expiry date 30/10/2012)
Base Rate –	BBSY bid rate payable quarterly in arrears
Line Fee –	3.10% pa for the term of the facility payable monthly in advance
Establishment Fee –	0.50% ($175,000)
LVR Covenant –	65% of latest bank approved valuations at all times
ICR Covenant –	1.50 times EBITDA for the duration of the facility
Hedging Requirement –	90% of Outstanding Accommodation at any time during term

Hedging Strategy

APN FM has purchased several interest rate 'caps' on behalf of the Fund in order to comply with the requirement to hedge 90% of the Fund's debt for the term of the new facility. The caps have been set at levels that would prevent the Fund breaching its ICR Covenant.

Interest rates caps have been selected as the preferred hedging mechanism as they cannot have a negative 'mark-to-market' value. This will ensure maximum flexibility in terms of repaying debt.

Capital Management Initiatives

Commencing from the March 2009 quarter, APN FM made the difficult decision to suspend distributions. This decision was made in light of the then prevailing financial and property market conditions and the pending expiry of the Fund's bank debt facility.

Furthermore, Greenpoint Shopping Centre was sold in June 2009 and debt reduced by approximately $8.3m. These two initiatives combined have ensured that the Fund has been able to refinance on favourable terms given the current banking environment for commercial property.

Distributions

It is APN FM's intention to recommence distributions from the March 2010 quarter.

A key term of the new facility is the requirement to reduce debt whilst the LVR remains above 55%. Until this target is achieved, APN FM intends to apply 50% of cash earnings to the repayment of debt and the remaining 50% to the payment of distributions to unitholders. It is intended that dividend payments will occur on a quarterly basis from the March 2010 quarter onwards.

Outlook

The Fund has now completed the critical refinancing of its bank debt and distributions are set to recommence albeit at lower levels. Valuations appear to have stabilised and APN FM believes that the Fund's weighted average capitalisation rate of 9.2% is unlikely to increase any further. The Fund's properties all continue to perform well with very low arrears and a weighted average lease term of 5.85 years at 30 September 2009.

With certainty of debt funding and a stable portfolio, APN FM can now look towards the medium to longer term strategy for the Fund, which includes future liquidity options.

Yours faithfully
APN FUNDS MANAGEMENT LIMITED

John Freemantle
Company Secretary