



15 March 2011

The Manager
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Dear Sir/Madam,

New Agreement for APN Managed Fund

The attached announcement was released earlier today in respect of APN's listed managed fund, APN European Retail Property Group (ASX code: AEZ).

It refers to an agreement between AEZ, its principal financier, The Royal Bank of Scotland plc (RBS) and a subsidiary of APN Property Group Limited (APN). The agreement extends the term of AEZ's key finance facilities and provides an opportunity for the orderly and progressive sale of the fund's assets.

A key component of achieving this outcome was the agreement by APN to defer receipt of all future base management fees until all liabilities to RBS are paid in full. APN has also agreed it will partially defer its entitlement to asset disposal fees. In return, APN will be entitled to full cost recovery for its management services.

After extensive examination of all options available to address AEZ's challenging position, this outcome is seen to provide the best possible opportunity for maximising value for AEZ investors.

APN's earnings guidance issued to the market on 24 December 2010, of a profit after tax (excluding fair value adjustments) for the year ending 30 June 2011 of approximately \$3.0 million remains current.

Yours sincerely

John Freemantle
Company Secretary

About APN Property Group

APN Property Group (ASX code: APD) is one of Australia's leading boutique real estate investment managers, with a strong and consistent record of investment performance.

We have a highly focussed and simple approach – to deliver superior investment performance and outstanding service, executed with passion, common sense and discipline.



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Dear Sir/Madam

APN European Retail Property Group (AEZ) Debt Restructure and Asset Sale Program

APN Funds Management Limited (**APN**) in its capacity as responsible entity for the APN European Retail Property Holding Trust (part of the APN European Retail Property Group (**AEZ** or **Group**)) advises that it has signed documentation to restructure certain of the Group's loans and implement an asset sale program with The Royal Bank of Scotland plc (**RBS**) (**Asset Sale Program**).

The key terms of the Asset Sale Program reflect the in-principle agreement reached with RBS which was advised to the market on 22 November 2010.

Key terms of the Asset Sale Program

The Asset Sale Program is implemented through an amendment to AEZ's Working Capital Facility (between AEZ and RBS) and an Omnibus Deed (between AEZ, a number of Group entities, RBS and the APN asset management company).

The key aspects of the agreed Asset Sale Program are as follows:

- All of the Group's assets are included.
- The timeframe for the program runs to 30 November 2012.
- The AEZ Working Capital Facility (€22.5 million) has been extended to 30 November 2012.
- The liability to repay the Working Capital Facility and the Group's derivatives with RBS (to the extent they are closed out resulting in principal liabilities and which amount to approximately €27.2 million) is limited to the extent AEZ has proceeds available to it from the sale of assets (described as a 'Pay If You Can' basis).
- A number of entities across the Group will provide RBS with additional security.
- APN, as asset manager, has agreed to defer management fees and work on a cost recovery basis until RBS has been repaid in full. In addition, APN has agreed it will partially defer disposal fees.
- AEZ and RBS have agreed a restructuring fee of up to €6 million will be payable to RBS to the extent that RBS has incurred a loss of at least €6 million on its Spanish senior debt position.
- AEZ and RBS have agreed extension fees of €250,000 up front and €26,000 per month in respect of the Working Capital Facility and €22,000 per month in respect of the Group's German senior debt facilities.

- Events of default which could result in the amounts owing to RBS becoming repayable earlier than scheduled include:
 - those which are standard for this type of debt facility including non-payment of amounts owed, material adverse effect, cross defaults;
 - a serious breach of the Working Capital Facility or an instance where AEZ has acted fraudulently or with negligence or wilful misconduct; and
 - a material departure from the Asset Sale Program which has not been raised and negotiated with RBS.

Background

The majority of Group's debt facilities remain in breach of covenants, with the Group's original covenant breaches arising at 31 December 2008 as a result of falling property values.

APN has run rigorous process to examine all of the options to address the Group's capital structure issues and excessive leverage including:

- Raising capital
- Refinancing debt
- Asset sales
- Restructuring
- Undertaking a merger or making an acquisition

Ultimately, none of these options generated an outcome acceptable to AEZ's investors and lenders and, as a result, the Board of APN Funds Management Limited believes the Asset Sale Program is the course of action which will deliver the best outcome for investors in the current circumstances.

APN expects the Asset Sale Program will deliver the best possible value to equityholders from a realisation of the Group's assets over a reasonable timeframe. However, it is not possible to provide guidance with respect to the final amount of capital to be returned to equityholders, which will be impacted by a range of market-based factors including the prices at which assets are sold, foreign exchange movements and the performance of the property portfolio during the Asset Sale Program.

As at 31 December 2010, the Group's Pro-Forma Net Tangible Asset backing per security was \$0.04 (this figure excludes the negative contribution of the Group's subsidiary City Gate SA, which is financed with an amount of non-recourse debt which exceeds the independent valuation of the property). A summary sensitivity analysis of this figure is provided below.

Sensitivity analysis: AEZ Pro-forma NTA per security based on changes in portfolio value (\$)				
Decrease 10%	Decrease 5%	Dec 2010 values	Increase 5%	Increase 10%
Nil	Nil	0.04	0.08	0.12

Further commentary on the current position of the fund can be found in the Group's 31 December 2010 financial statements and half year results presentation released to the market on 28 February 2011.

For further details, please contact APN Investor Services on 1800 996 456.

Yours sincerely



John Freemantle
Company Secretary

About the APN European Retail Property Group

APN European Retail Property Group (the Group) is a listed property trust (ASX code: AEZ) which operates under a stapled security structure. The Group is invested in a diversified portfolio of 34 retail properties located in six countries across Europe. The Group is managed by APN Funds Management Limited.