



1 September, 2009

ASX Announcement

Announcement No 04/09

The Manager

Australian Securities Exchange Limited

Corporate Announcement Office

Level 4, 20 Bridge St

Sydney NSW 2000

Suspension

The Hedley Leisure & Gaming Property Fund (**Fund** or **HLG**) (ASX Code: HLG) comprises the Hedley Leisure & Gaming Property Trust (**Trust**) and Hedley Leisure & Gaming Property Partners Limited. The Fund advises that the Fund's preliminary final report for the financial year ended 30 June 2009 has not been finalised. Consequently, the Fund did not lodge an Appendix 4E on 31 August 2009. The securities of the Fund will be suspended from quotation with effect from market open on Tuesday, 1 September 2009 until further notice. It is expected that the Appendix 4E will be lodged on or before 30 September 2009 with the Fund's final audited full year results for the period ending 30 June 2009.

One of the significant issues delaying the finalisation of the full year results has been that, after discussions with ASIC on accounting practice, HLG has adopted a revised accounting policy for the treatment and disclosure of liquor and gaming licences separately from investment properties. Implementation of this revised accounting policy requires valuation work that has not yet been finalised.

Breach of Loan Covenants

HLG's current debt facilities are subject to a number of loan covenants. The insolvency of, and the appointment of administrators to, Hedz Pty Ltd, one of HLG's tenants, on 1 July 2009 are breaches of the loan covenants and this gives HLG's bank syndicate the right to require immediate repayment of the entire outstanding debt facilities which would also result in the need to payout any balance due at the time on the interest rate swaps. To date, the bank syndicate has not waived the breaches, but has also given no indication that it will exercise its right under the debt facilities.

In view of prevailing circumstances and the need to reduce bank debt, no final distribution for the year ended 30th June, 2009 was declared. Also since that decision and announcement it has been determined that HLG's interest cover ratio and ICR property ratios under its debt facilities, as at 30 June 2009, were at a level below 1.30 where no distribution is allowed to be paid or declared.

Possible Extension of Debt

In April 2009, HLG entered into discussions with its bank syndicate with respect to extending HLG's debt facilities until August 2012. The current debt facilities are due to expire in August 2010. An extension should provide security holders and potential investors greater surety about the future viability of HLG, but will involve a higher interest cost, continued restrictions on distributions and significant debt reduction requirements.

The bank syndicate has delivered a draft Term Sheet for review by HLG and HLG anticipates, but cannot guarantee, that extension arrangements will be finalised within the next few months.



Dependence on Support of Bank Syndicate

Therefore, although HLG is confident that it is taking all appropriate measures and that it has the support of its bank syndicate, there is a significant risk that its extension negotiations with the bank syndicate maybe unsuccessful, the refinancing may not occur prior to the expiry of the current debt facilities (August 2010) and/or the bank syndicate may require the immediate repayment of the entire outstanding debt facilities. In any of those events, it would be unlikely that HLG could continue as a going concern.

Colin Henson
Executive Chairman
Hedley Leisure & Gaming Property Partners Limited