



Australian Leisure and Entertainment Property Management Limited

Chairman's Presentation

Today I would like to cover a number of areas:

- Our performance over the past financial year
- Revaluation of the property portfolio at June 2005
- The impacts of the new accounting rules under AIFRS
- Corporate Governance, and
- The outlook for ALE going forward

Prior to the resolutions and general questions, our Managing Director and CEO, Mr Andrew Wilkinson, will provide further details on our financial performance, an update on the operating performance and outlook for the Group.

Year in Review

It is my great pleasure to announce that there were a number of highlights in our performance for the period ending 30 June 2005.

- Our PDS forecasts were exceeded again this year;
- Our net profit was \$5.3 million versus the prospectus forecast of \$3.5m;
- Our performance allowed us to increase our distribution to 12.85 cents per stapled security, up from 10.9 cents forecast in the PDS;
- Our portfolio was independently revalued by \$74.4 million to \$651.1 million, 21.4% above the purchase price in November 2003 and 12.9% above the Group's 30 June 2004 book values. The increase in the portfolio's valuation resulted in the net asset backing per stapled security increasing from \$1.41 to \$2.17 at 30 June 2005.



Australian Leisure and Entertainment Property Management Limited

- The trading price of ALE's stapled securities has increased from \$1.31 at 30 June 2004 to \$2.06 at 30 June 2005, and was \$2.20 at the close yesterday.

As a Board we are extremely happy with the financial performance of ALE over the past 12 months, and look forward to good financial performance for our stapled security holders over the next 12 months.

I would like to make a special acknowledgement to the work of Andrew and his team since commencing in November 2003 in establishing and operating the business, and everything that entails from an absolute standing start. In particular I would like to acknowledge the extensive efforts Andrew has personally gone to in raising ALE's profile in the investment and capital markets. The Board is confident that ALE is now widely recognised and importantly understood by the wider market. In my view this understanding by the market of ALE and its structure has been a significant contributor to the rise in market price of ALE's stapled securities over the past 12 to 18 months.

Revaluation of the portfolio

As you may be aware, the tenant of our properties Australian Leisure and Hospitality Group (or ALH) changed ownership late last year. ALH is now owned by a joint venture between the Woolworths and the Bruce Matheson Group with Woolworths holding the controlling stake.

As a Board we were of the view that this change in ownership of the tenant was a very significant event and had the effect of substantially improving the security and credit qualities of the lease covenant provided by ALH. This improvement in



Australian Leisure and Entertainment Property Management Limited

credit quality of our tenant, the general improvement in real estate market conditions and demand for properties such as ALE's, led us to the view that the whole freehold portfolio should be valued at 30 June 2005 by expert valuers as opposed to the usual one third of the portfolio.

As outlined previously the value of ALE's portfolio increased from \$576.7 million at 30 June 2004 to \$651.1 million at 30 June 2005. In line with the accounting standard the properties ALE owns have been valued on an individual basis and not on a grouped or portfolio basis. Investors should realise if the portfolio was actually being sold the maximum value would probably be realised by selling the properties not on an individual basis but as a series of grouped portfolio. The Board has been advised that this approach may well realise a value significantly in excess of the individual property valuation.

International Financial Reporting Standards (AIFRS)

The adoption of the Australian equivalents to the International Financial Reporting Standards is likely to have a significant effect on the presentation of ALE's accounting statements but will not have any impact on the future cash flows and security distributions. The Statement of Financial Performance going forward will change for the following reasons:

- Any increase or decrease in property valuations will appear in the Statement of Financial Performance. For example, ALE's increase of \$74.4 million in property valuations at 30 June 2005, if reflected in the Statement of Financial Performance would have increased ALE's profit before tax from \$5.33 million to \$80.12 million.



Australian Leisure and Entertainment Property Management Limited

- Another change which may impact the Statement of Financial Performance is the interest rate swaps that ALE has in place. At 31 December and 30 June each year the net fair value of the swaps will have to be determined and any profit or loss reflected in the Statement of Financial Performance.

These changes will generally cause volatility within ALE's Statement of Financial Performance. To offset this however, we propose to disclose the changes clearly so that investors are fully aware of their effect.

Most importantly, the adoption of these new reporting standards will not impact the underlying cash flows generated by the ALE or its proposed distributions.

Corporate Governance

The Board is conscious of its Corporate Governance and compliance requirements and spends significant time at Board meetings on such matters.

In that regard I would like to inform investors of certain enhancements achieved during the year.

- Firstly, Helen Wright has recently taken over from myself as Chair of the Audit, Compliance and Risk Management Committee. This change was as a result of the ASX Corporate Governance requirements that the Chair of the Board not also be the Chair of the Audit, Compliance and Risk Management Committee. I welcome Helen's appointment to this role.



Australian Leisure and Entertainment Property Management Limited

- During the year, the Board commissioned an independent consultant to review the performance of the Board and its directors since ALE's commencement. It was concluded that your Board had the types of skills required to establish and operate ALE's current type of business and that the Board was currently working very well. This was a very worthwhile process resulting in a number of recommendations being made by the consultant, many of which have been now adopted by the Board.
- One of the Consultant's recommendations was to appoint experts to Committees that the Board may establish to assist the Committee in performing its function. The Board has recently appointed an external consultant to the Audit, Compliance and Risk Management Committee to assist it with its functions.

The Outlook for ALE Property Group

We have a quality business, backed by a secure income flow which allowed us to structure an innovative debt and equity funding strategy that has provided significant returns to investors since ALE's commencement.

Over the past 12 months we have looked at a number of acquisitions, but have, I believe for the right reasons, not proceeded with those opportunities. As evidence of ALE's commitment to both acquisition and capital management initiatives we appointed Andrew Slade to the management team in July this year.

One fact we have had confirmed to us during the process of looking at other opportunities is the extremely high quality of the asset which you own in terms of the quality of the tenant, the terms of the lease and the level of rental yield. It



Australian Leisure and Entertainment Property Management Limited

is certainly not easy to find other assets of equivalent quality and your Board is certainly keen to ensure that neither the quality of the portfolio or the level of income of the current pool of assets is diluted.

We expect to see continued solid performance from the Group. Anticipated rent increases in line with the change in the consumer price index or CPI, to be announced next week, combined with our hedged interest expenses and stable lease structure allow us to offer you, our security holders, continued strong results. We anticipate that distributions for the next 12 months will be higher than that forecast in the PDS and received by investors over the past 12 months.

The level of our future income cannot be predicted with complete accuracy as it is dependent on a number of factors including the change in CPI and the level of interest rates paid on our cash balances. However at this stage of the year your Board expects that the distribution for the 2005/2006 year will be at least 13.8 cents per stapled security and is expected to be 100% tax deferred.

On behalf of my fellow directors I thank Andrew and his team for their performance during the year and you, our stapled security holders for your continuing support of ALE.