



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 2006
- Acquisitions
- Capital Management
- Corporate Governance, and
- The outlook for ALE

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 an outlook for the Group.

Year in Review

It is a pleasure to outline a number of highlights in our performance for the period ending 30 June 2006.

- Our PDS forecasts were exceeded for the third consecutive year.
- Our performance allowed us to increase our distribution to 16 cents per stapled security, up from 12.2 cents forecast in the PDS and up from 12.85 cents last year.
- The trading price of ALE's stapled securities has increased from \$2.06 at 30 June 2005 to \$2.70 at 30 June 2006, and closed at \$3.56 yesterday.
- Since listing three years ago ALE has outperformed every other Australian listed property trust. Independent analysis performed by UBS shows that investors in ALE since its listing in November 2003 at \$1 per stapled security have received distributions of 36.35c and with a current price of \$3.56 have earned an average total security holder return of 60% per annum compound over those three years.



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As a Board we are very happy with the financial performance of ALE and look forward to that continuing for our stapled security holders.

Revaluation of the portfolio

The Australian commercial property market has experienced significant growth in value over the past three years. In addition, I believe the market has begun to appreciate the unparalleled quality of ALE's portfolio and lease structure. With these factors in mind ALE's Board obtained independent valuations for 90 of our 106 properties at 30 June 2006.

Our portfolio was independently revalued by about 10% to \$717.6 million. The increase in the portfolio's valuation resulted in the net asset backing per stapled security increasing by around 22% to \$2.64 at 30 June 2006.

Acquisitions

Obviously the significant growth in property valuations in recent years is a reflection of the strong demand for properties from investors pushing up prices.

This action of course has made the job of purchasing investment properties at reasonable prices very difficult, particularly for the type of high quality properties which would match the existing portfolio. This is especially difficult when considering the significant transaction costs including stamp duties, legal and due diligence costs. Many of these costs are incurred whether the transaction is completed or not.

During the year in review we looked at a wide range of potential investments. Most were quickly dismissed as not meeting the minimum criteria we have set out while others were examined more closely.

In February this year ALE purchased the historic Berwick Inn Hotel, Victoria. The Berwick is a local icon and has traded since 1857. The hotel is leased to ALH on similar terms to our other properties.



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During the year ALE also completed the acquisition of the newly completed CBX Hotel, Caloundra, one of the original properties owned by Foster's.

Both hotels were revalued at 30 June 2006 at greater than acquisition price.

Your Board is committed to evaluating all opportunities thoroughly to ensure that any acquisition maintains the quality of the portfolio and ensures the level of income of the current pool of assets is not diluted.

As previously stated we continue to look at commercial property opportunities in both the pub and non-pub sectors.

Capital Management

The capital structure of ALE is one of the main reasons for its strong financial performance. The ability to leverage the strong/reliable lease income with a relatively high level of debt with fixed interest rates has generated a high level of distributions to our security holders with a high level of growth. During the year we successfully completed a refinancing of our senior debt which reduced the cost of our existing debt while extending its term and linking the cost profile of some of that debt to the inflation index profile of our income.

This innovation is expected to provide substantial long term benefits to security holders.

Combined with ALE's growth in property income, the debt refinancing results in:

- an increase in distributions for 2006 and 2007; and
- lower volatility of long-term distributions.

This transaction was the first of its type in the Australian capital market and received an award from Insto magazine.



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As a result of the increased value of our portfolio and our constant level of debt our gearing ratio has fallen from 88% to 68%. This means we have significant unused borrowing capacity which could be used for addition property purchases and/or returning capital to investors. In order to maintain superior distribution growth we intend to add appropriate properties to the portfolio and/or consider capital management opportunities. We welcome any views our security holders may wish to share with us relating to capital management.

Corporate Governance

The Board continues to review its corporate governance functions in light of market best practice. ALE strengthened its compliance and risk management function by appointing David Lawler in December 2005 as an independent member of its Audit, Compliance and Risk Management Committee. Helen Wright, one of ALE's independent directors, chairs the committee which meets at least four times each year.

On behalf of the Board I thank Brendan Howell for his outstanding service to ALE over the last three years. Brendan was appointed Company Secretary in September 2003, prior to ALE's listing, and has recently stepped down from that role. We look forward to Brendan's continuing role as ALE's Compliance Officer.

The Board welcomes Darren Barkas to his new role as Company Secretary. Darren has been with ALE since January 2004 and now holds complementary roles of Company Secretary and Financial Controller.

The Board has put forward a resolution, for determination at today's meeting, that the total Director's Remuneration be increased. The Board recommends that this proposal be approved by the meeting in order that additional experience can be added to the Board if and when it deems it appropriate. The Board does not plan to increase the remuneration of current Directors at this time.



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The Outlook for ALE Property Group

We expect to see continued solid performance from ALE. Rent increases in line with the change in the consumer price index (or CPI) announced two weeks ago, combined with our hedged interest expenses and stable lease structure will allow us to offer you, our security holders, continued strong results.

In June 2006 the Board provided distribution guidance of at least 19.0 cents per security for the current year, an increase of 18.75% on the previous year. The Board is please to reaffirm this guidance.

The Board expects that distributions for both the current year and the year ending 30 June 2008 will be 100% tax deferred. The Board also expects that distributions through until June 2012 will be at least 50% tax deferred.

As you are aware we have very small management team at ALE. On behalf of my fellow directors I thank Andrew and the team for their performance during the year in handling the wide range of issues which are involved in managing an organisation like ALE. The Board and I would also like to thank you, our stapled security holders for your continuing support.

I now invite Andrew Wilkinson our CEO and Managing Director to speak in relation to the activities of the ALE Group.

Thank you for your presentation Andrew. Does any shareholder wish to speak or ask any questions on Andrew's presentation? Please raise your hand. I would request that you please state your name before asking your question.

Now I will move on to our first item of business.