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**ALE PROPERTY GROUP  
ANNUAL GENERAL MEETING 2008**

**CHAIRMAN'S ADDRESS**

Ladies and Gentlemen, welcome to our 2008 Annual General Meeting – I am Peter Warne and I will chair our meeting today. It is now time to start our proceedings. A quorum is present and I declare the meeting open.

Our agenda today will be as follows. After my brief report, Andrew Wilkinson, our managing director, will provide an overview of the performance of the group in 2008 and our strategies for the year ahead. We will then review the financial accounts, followed by the re-election of a director and the consideration of the remuneration matters on the Notice of Meeting.

## **Current Market Conditions and ALE Performance**

Please allow me to pause and reflect. On this day and at this hour exactly five years ago ALE commenced trading on the Australian Securities Exchange. Over those five years we have witnessed significant changes in both the property and capital markets and amid all those changes, I am pleased to report that ALE has delivered a relatively outstanding set of results for you our security holders.

That said, we meet today at a troubled time in Australian – and world – financial markets. It is not an exaggeration to say that the events of the past six months are without precedent in living memory. The financial market environment has been marked by high profile underperformance and failure by some businesses in our sector, and sentiment towards Australian listed real estate investment trusts has suffered severely as a result. As you know, our security price has not been immune from this sentiment.

Many of the factors contributing to this decline are issues to do with the broader equity, debt and property markets and are thus beyond our control, but we believe that our focus on secure assets, a reduced gearing level and very conservative risk management and interest rate hedging profiles has created the relatively stable position we now enjoy.

So with this in mind, it is with some comfort that I can report to you that in a recent research piece investment bank UBS identified ALE as the best performing

property trust over the last 3 and 5 years and 6<sup>th</sup> out of 51 over the 12 months to 30 September 2008.

The final point I will make on our security price is that we run a quality business, with very sound long-term assets. We confidently expect that our relative competitive strengths should be recognised by investors and reflected in the price of our securities when financial markets stabilise and when economic conditions begin to improve.

That said, we do continue to face unprecedented market volatility. This has meant busy times for us and Andrew will go into more detail about the significant efforts we have gone to protect you our investors.

## **Review of 2008**

I'd like to take a moment now to briefly review our performance over the 2008 financial year. Against the backdrop of challenging conditions, we delivered an increase in distributable profit per security of 4.1% - indeed; ALE's distributable profit per security has increased in each of the five years since our listing.

We report distributable profit rather than accounting profit because we believe it provides the most meaningful indication of our profit. Accounting profit includes a number of items, such as investment property and financial instrument revaluations that move from year to year and are not directly related to the underlying performance of the business. Andrew will provide a detailed

presentation of ALE's results for 2008 and recap our performance over the past five years.

### **Distribution Policy**

Since listing 5 years ago we have distributed a total of 102.45 cents per stapled security.

Distribution policies of many of our property sector peers have changed this year. Going forward, ALE's Board has decided to adapt its policy to one of setting distributions at a level that does not exceed the free cash flow available. It is the Board's intention to continue this policy for future financial years.

With this decision in mind the Board has asked management to undertake intensive modelling work to ascertain what our longer term free cash flow is expected to be. Our longer term free cash flow will be dependent upon (amongst other things) the terms which we refinance our debt facilities which mature in 2011. As you well know, credit margins have increased significantly since we arranged our current facilities and if we were to refinance those facilities today the cost of our debt would be significantly higher. Management has modelled our forward cash flow on the very conservative assumption that we refinance our facilities at current credit margins, which are the most adverse we have seen in many years. On that assumption, the Board feels confident that ALE will produce free cash flow of at least 30.00 cents per stapled security well into the future. Of

course, if when we actually refinance our facilities we do so on more attractive terms than those currently prevailing, that saving will flow straight to the bottom line, increasing free cash flow and the distribution paid.

In terms of the 2009 financial year we currently expect free cashflow to be in excess of 35.00 cents per stapled security. The Board fully expects to distribute at least 30.00 cents per stapled security this year with our final decision to be made in the June quarter of 2009 based on conditions at that time.

### **Corporate Governance**

This year for the first time we produced a Review document and mailed or emailed that to all of ALE's security holders. We trust that you will agree this provided a clear picture of how ALE is performing. A further 92 pages of financial accounts are available in a separate Annual Report. ALE considered if financially and environmentally responsible to not mail this Annual Report to our nearly 3,000 security holders. A copy of the Annual Report is available on ALE's website and we encourage you to review it. A printed copy is available on request.

I can report to you that I conducted a Board effectiveness review following the completion of the financial year. Our practice has been to engage an external consultant to conduct the review every second year and for the Chairman to conduct it every other year. The results of review again showed that the directors believed that Board worked efficiently and had the correct balance of

skills. There was a good working relationship with management with the correct balance of challenge and support. In particular the Board believed that there was the appropriate culture together with the necessary policies and procedures to ensure that information reached the Board on a timely basis. A small number of suggestions for improvement were put forward which the Board has now begun to address.

This year John Henderson retires by rotation and offers himself for re-election with the unanimous support of the balance of the Board. John has been a valued member of our Board for the past five years and, subject to your vote, we look forward to his continued contribution.

All our achievements come about thanks to the efforts of our team. A clear focus on quality, innovation and teamwork are the building blocks of the ALE approach – and are critical to our continuing success.

I would like to express my gratitude to Managing Director Andrew Wilkinson and his team for their continued excellent performance this year and also to my fellow Directors for their ongoing commitment to ALE's success. In particular, the management team's innovative and market leading initiatives in hedging and capital management during the year have locked in substantial long term benefits and a reduced risk profile for security holders. I would also like to express the Board's thanks and appreciation to Mr. David Lawler, the independent member of the Audit, Compliance and Risk Management

Committee, for the skill, experience and diligence he brings to that role and the contribution that he has made.

## **Outlook**

Finally, I would like to briefly comment on our outlook for the immediate future.

When I spoke to you 12 months ago I suggested that the emerging debt market crisis may provide ALE with opportunities to acquire additional quality properties at prices which would be accretive to our security holders.

As time has evolved the crisis has broadened into the equity markets and now into the real economy. We have seen base interest rates fall significantly but credit margins widen significantly. This has meant ALE's all up cost of financing, (including the cost of equity), has risen. At the same time we have not seen any significant reduction in the prices of quality properties like those in our portfolio. Indeed, if base interest rates continue to fall, as many commentators believe, we may see the prices for properties like those in our portfolio actually rise.

As you would expect, the Board and management continue to review the market and our strategies very carefully in light of the challenging market conditions we face. We believe that our business strategy and financial position remains fundamentally sound. We are confident that our focus on quality property assets and our conservative capital and risk management policies remain appropriate.

While we are realistic about the possibility that the property and capital markets may take some time to bounce back, we believe that we are well positioned for the recovery, and that we may, in fact, be able to take advantage of opportunities to acquire some high quality long-term assets at good prices at some time in the future should opportunity emerge.

As you would expect we are closely monitoring all the developments in capital and property markets, maintaining and enhancing our excellent relationships with our bankers and advisers and taking regular updates and advice from them.

In closing, I would again like to thank all of our staff, on behalf of the Board and our investors, for their dedication, hard work and achievements in 2008.

- Ends -

Peter Warne  
Chairman