ALE PROPERTY GROUP

ANNUAL GENERAL MEETING 2010

CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

Welcome to the 2010 Annual General Meeting of the ALE Property Group.

My name is Peter Warne and I will chair today's meeting.

It is now time to start our proceedings.

I am advised a quorum is present and I declare the meeting open.

The proceedings today will be as follows.

After my brief Address, our Managing Director, Andrew Wilkinson, will provide his report and we will then move to the matters for decision by security holders as set out in the Notice of Meeting.

The Market

While it is now more than two years since the depths of the global financial crisis it is clear that the world's capital markets are still yet to fully recover from its consequences.

While less volatile, the funding markets have remained very cautious. In Australia today, both debt and equity capital appear to be almost exclusively reserved for those who have higher quality assets and a stable cash flow outlook.

The commercial real estate refinancings that have occurred have been written at much higher credit margins and on more restrictive covenants than those available before 2008. Lower quality property portfolios with unsustainable financial positions have seen their bankers taking more control and, in some cases, pushing for properties to be offered on the market. Should interest rates continue to rise we would expect to see more landlords and borrowers, without interest rate hedging, to be pushed in that same direction.

At the same time it has been encouraging to see debt funding margins decline materially from the heights they climbed to in 2008 and 2009. Another welcome development has been the continued strength of the market's pricing for smaller value commercial properties with higher quality lease covenants.

ALE has now successfully completed the capital management steps, including a capital raising and some selected property sales that we outlined in September 2009. We are also well positioned to complete the final stage of the refinancing plan. Andrew will provide a detailed presentation of these matters shortly.

Once again ALE remains one of the best performing Real Estate Investment Trusts in the Australian market over the seven years since our initial listing on the ASX on the 12th of November 2003.

It is against that overall view of the market that I now turn to a review of ALE's performance during the past year.

ALE Performance in FY10

First, I am pleased to report that ALE delivered solid results for the 2010 financial year.

Over the year to June 2010, ALE's property valuations remained relatively steady. We are happy to repeat our view that this stability is directly attributable to the properties' long leases to a high quality tenant that continues to succeed as the leading operator of pubs in Australia.

The total revenue from property and interest income rose by 13% to around $64.6 million. Additionally, the benefits of buying back CMBS debt at a discount added around $6.6million to our revenues.

From an expense management perspective, lower levels of CPI during the year meant that our hedging arrangements led to a reduction in the overall interest cost of our CPI hedged debt. This outcome delivers on the original intention of matching lower CPI based rental growth with lower interest costs.

As a result of a $7.2 million increase in revenue, the Distributable Profit for the year rose by around 13 percent to $38.1 million. Given that the 2009 capital raising saw a 75% increase in securities on issue, the distributable profit was lower at 24.82 cents per security but higher than the guidance at 24.00 cents per security.

Actual distribution payments totalled 24 cents per security, representing 97 per cent of the Distributable Profit. This was consistent with the Board's policy of setting distributions at a level that does not exceed available free cash flow.

During the past year we sought independent revaluations of a representative sample of the 87 properties to verify valuations. The results showed significant stability and were supported by the significant evidence from the sale by ALE of 17 of its properties in the open market at competitive (and in one case Australian record setting) prices.

Whilst we don't particularly take any joy in selling any of our properties, we believe the sales program was particularly successful. It should be noted that the average capitalisation rate of the 17 properties sold was 6.01%. These yields are well below our cost of capital and below rates where we would buy properties. These sales increased the average cap rate on the balance of the properties by 0.07% to 6.55%

Capital Management Initiatives

A keen focus of the Board is to ensure that a sustainable capital management position is maintained at all times. The past year has been a significant and active year where a number of successful steps were taken to deliver a reduced gearing position ahead of financing maturity dates in 2011.

As planned, during the year ALE raised $212 million through a capital raising and the sale of 17 properties. Also during the year ALE repaid and bought back $223 million of debt. Of particular note was the $101.3 million of bonds bought back at discounts totaling $6.6 million. The discounts achieved provide a direct benefit to you, ALE's stapled security holders.

Together these initiatives reduced net gearing from around 68% to 52%, thereby providing what we believe is a sustainable capital structure which positions ALE for a refinancing of its 2011 debt maturities at levels that are more compatible with the current requirements of secured financiers and institutional debt investors in today's capital markets.

Maturing ALE Notes of $150 million were substantially refinanced in March 2010 with a new issue of ASX listed securities known as ALE Notes 2. The Board was delighted with the levels of participation by existing ALE Note holders, stapled securityholders as well as new investors. While there was some scaling back of new investor applications, the issue was upsized to cater for the significant demand from existing investors.

ALE continues to work on a refinancing of the senior secured debt on issue and planning and preparation are well advanced. This will be the third time that ALE has refinanced these assets.

It is anticipated that the refinancing will be completed before the maturity dates in calendar 2011 and the results will be reported to the market upon completion.

Moving Forward

Today ALE owns 87 hotels and enjoys a gearing level which credit markets and financiers consider appropriate for the quality of assets we hold in the "new normal" capital markets we all now experience.

In terms of acquisitions, ALE has remained out of the individual property market awaiting larger opportunities. The source of these opportunities is expected to include the higher quality portions of distressed vendors' portfolios. We are also keen to selectively pursue opportunities for sale and lease back transactions of property portfolios, with high quality corporate groups who may be seeking to diversify their funding solutions and focus on core business.

Corporate Governance

ALE's Board and the Audit, Compliance and Risk Management Committee again this year subjected the Company to review to ensure that the increasingly higher levels of best practice continue to be met. The review, conducted amongst your directors and management, concluded that the Group's governance functions are operating effectively, although a small number of procedural changes were considered and have been adopted. The review confirmed that the appropriate skills and experience considered necessary for directors to possess to oversee your company were properly identified and were present in the current Board.

The Board met a total of 19 times during the year, significantly more often than would be expected for an organisation of this size. This reflected the significant volume of capital management activities undertaken and was in addition to various other committee and due diligence meetings.

I would like to take this opportunity to extend my thanks to my colleagues on the Board and various committees for maintaining these high levels of governance through a year that has required a significantly increased workload.

In accordance with past practice, the Board has again reviewed the effectiveness of the Group's corporate governance functions.

In line with current corporate governance practice, the Board has decided to establish a Nominations Committee. The role of the Committee will be to identify potential new directors for your Board. This will become an important function as we begin the process of Board renewal. As you are aware, the existing Board was appointed when ALE was first listed in 2003. Each of the existing Board members has now had seven years service. It is generally considered best practice that directors are appointed for no more than 10 to 12 years. Therefore over the next few years we will be looking for opportunities for each of us to retire and be replaced in an orderly manner. One of the resolutions we will ask you to support today will allow us to make the initial Board appointment to commence this process.

This year James McNally retires by rotation and offers himself for re-election with the unanimous support of the Board. James has been a very effective Director since his appointment in 2003 and, subject to your vote; we look forward to his continued contribution.

ALE has a small but effective management team and accordingly it is essential that Board and management have a sound working relationship. I am pleased to say that all members of Andrew's team have worked hard to implement the capital management initiatives and progress the refinancing during the past year. The capital raising, the ALE Notes 2 offer, the debt buybacks and the sales of 17 properties have all proceeded very well. On behalf of the Board, I extend my thanks to the management team for their dedication and extra efforts to complete each of the key initiatives successfully.

I would also like to again express thanks to David Lawler, the independent member of the Audit, Compliance and Risk Management Committee, and Graeme MacLaren, the independent director for our financing subsidiary, for the skill, experience and diligence they each bring to their roles.

Vale Hotel Matter

At last year's AGM I mentioned that a judgement was imminent from Supreme Court of Victoria with respect to the matter between ALE and ALH concerning the interpretation of the ALH lease as it relates to the development of vacant land adjacent to the Vale Hotel in Melbourne and the determination of market rent.

In December 2009 the court found in ALE's favour on all issues considered. In April this year the finalised judgement also awarded costs in ALE's favour.

In May this year ALH elected to have the matter heard in the Victorian Court of Appeal. The appeal is expected to be heard in mid to late 2011. ALE remains confident of its position and securityholders will be advised of the outcome of the appeal hearing.

Outlook

I now turn to the outlook for ALE. The Board believes that ALE's business strategy and financial position are now on a very sound footing following the completion of some important capital management initiatives and ALE Notes 2 refinancing. The completion of the senior secured part of the refinancing is expected in early 2011 and will complete the repricing of ALE's debt. ALE continues to have capital indexed bonds on issue for another thirteen years.

Obviously the increased cost of debt has a direct bearing on the quantum of distributable profit available. The higher the cost of our debt, the lower the distributable profit. ALE has consistently stated that it would seek to distribute up to 100% of distributable profit having regard to the level of distributions that may be maintained in future periods including the impacts arising from the credit margins applicable to the refinancing of the 2011 debt maturities.

While Andrew will take you through a more detailed analysis, the Board's distribution guidance for the 2011 financial year is at least 18.5 cents per security. This is lower than last year's distributable profit, primarily due to the impact of the higher debt margins. The expected distribution for the half year ending 31 December 2010 is expected to be at least 10.0 cents per security.

The distribution in the year ended 30 June 2012, being the first full year following the complete debt refinancing, is expected to fall again. However, we expect that the distributions in that year and each subsequent year will be at least 16.0 cents per security. The Board's objective is to have distributions then grow in line with CPI.

The Board and management monitor closely all developments in the capital, credit and property markets and have a wide range of excellent relationships with financiers and advisers, as has been evidenced during the recent capital management program.

In closing may I again thank my fellow members of ALE's Board, Andrew, and all his management team for their dedication and hard work. Let me also thank you, our investors, for your ongoing loyalty and support and my particular gratitude goes to those of you who chose to participate in the rights issue and ALE Notes 2 raising.

Peter Warne

Chairman

- Ends -