



Australian Leisure and Entertainment Property Management Limited

ALE PROPERTY GROUP
ANNUAL GENERAL MEETING 2012
CHAIRMAN'S ADDRESS

The proceedings today will be as follows.

I will make a brief Address after which our Managing Director, Andrew Wilkinson, will provide his report on the operations of ALE. We will then move to the matters for decision by Securityholders as set out in the Notice of Meeting.

As one of the resolutions today deals with my re-election as a director, I will temporarily vacate the Chair in favour of Mr. Wilkinson while that matter is dealt with.

Today I would like to cover a number of areas:

The Market

Before commenting specifically on ALE, I would like to start with a few brief comments on overall market conditions.

Concern about the economic and financial outlook for Europe and the US has continued to impact confidence in the financial markets. This has led to investors being more strongly focussed on fixed income markets.

Against this background of global uncertainty, Australian and global long term interest rates have fallen materially. This has been aided by continuing

accommodative monetary policy as authorities have continued to endeavour to stimulate growth.

While funding and capital markets continue to remain open and active, the credit margins charged, while rallying slightly over recent months, have continued at levels above long term averages.

A-REITs or ASX listed owners of high quality property portfolios that deliver a high level of earnings certainty have gained favour over calendar 2012 as their anticipated yields become increasingly attractive relative to bonds and other investment alternatives with the A-REIT index up 24% since January 1 this year. Although investor demand for high quality, well leased, prime commercial real estate in Australia continues to be evident, it is fair to say that we have not yet seen yields fall and prices rise to the same extent in commercial real estate as we have in bond markets.

In this environment, ALE's traded upwards over FY12 from \$1.85 to \$2.10. Since year end increasing investor interest in A-REITS and falling interest rates have seen ALE's price trade up to \$2.35.

Simplification of Hedging Arrangements and Capital Raising Post Year End

Earlier this year, we announced that we were undertaking a review of our hedging arrangements. On Thursday last week, we advised the market that we had completed the review and finalised a plan to simplify our hedging arrangements.

A key factor driving this decision is the current low interest rates and benign outlook for inflation. This enables ALE to simplify its hedging arrangements, strengthen ALE's balance sheet for future growth, capture historic low base rates (which will substantially offset the costs of terminating the CPI hedge)

and provide for stable distribution growth for ALE's securityholders.

The main implication for stapled securityholders is that ALE will have increased its exposure to inflation and by that I mean that if inflation increases significantly the net distributable cash flow will increase by more than it otherwise would have. We have also been able to do this at a time where we have locked in historically low nominal interest rates for a long term.

The cost of terminating the CPI hedge is expected to be funded by a now completed fully underwritten \$40m equity placement the placement of \$40m of new ALE Notes 2 securities and existing cash reserves. The equity and note placements were conducted by bookbuilds on Wednesday and Thursday last week and were strongly supported by sophisticated/wholesale investors, both existing and new to ALE. Naturally, first priority was given to our long standing existing investors.

In addition, we announced a non-underwritten Share Purchase Plan to all eligible ALE securityholders. Further details of the SPP will be lodged with the ASX and sent to eligible securityholders on or around 2 November 2012.

ALE's Strategy in the Current Market

Following the imminent completion of the new hedging arrangements, ALE will have completed a range of steps to implement a capital structure characterised by relatively longer term debt maturities and a diverse source of funding beyond those offered by the traditional bank debt markets. At the same time we have continued to enjoy solid and long standing relationships with Australian banks. The capital structure that ALE enjoys today is significantly stronger as a result.

In essence, ALE's capital structure has been totally overhauled over the past three years with the addition of further equity, the almost total refinancing of

ALE's debt and the change to mostly nominal interest rate hedging. It is with this strong foundation that ALE can now move forward with confidence.

With those foundations in place, ALE can focus on opportunities for further growth. I would note, however, that we do not intend to grow for growth's sake. The board fully recognizes that ALE has a very high quality asset portfolio and it has no intention of diluting the quality or value of that portfolio with lower quality or lower value properties.

ALE's Continuing Priorities

I am happy to repeat that ALE's approach to growing and protecting security holder value continues to focus on the following priorities:

- delivering predictable distributions;
- continuing to review the portfolio to ensure properties are well maintained and, to the extent we are able, ensure value is maintained or enhanced,
- maintaining our costs below those of our peers;
- ensuring a sustainable capital management position;
- tightly managing risk to preserve value for all stapled security holders;
- undertaking acquisitions or divestitures where value accretive to do so; and
- adopting and executing best practice in all regulatory and compliance matters ensuring all our obligations under the law, ASX rules and regulatory and lease obligations are met.

Financial Results

I now turn to some brief comments on ALE's performance during the past financial year. First, I am pleased to report that ALE delivered solid results for the 2012 financial year.

ALE reported a distributable profit for the 2012 financial year representing 16.79 cents per security. This outcome slightly exceeded the guidance provided earlier in the year. Your Board declared a distribution of 16.00 cents per security for FY12 in line with that guidance and consistent with the Board's policy of setting distributions at a level that does not exceed available free cash flow. The distribution was 100% tax deferred.

ALE's operating expenses also remained at one of the lowest levels of any Australian real estate trust sector

General Commentary

During the year we sought independent revaluations of a representative sample of the 87 properties. The results showed an increase of around 1.7% due to rental increases and stable average capitalisation rates across the portfolio. This outcome was assessed to be attributable to the high quality of the properties' long leases and tenant and their ongoing success as Australia's leading pub operator and liquor retailer.

Vale Hotel Matter

I was pleased to confirm the conclusion of the litigation with respect to the Vale Hotel matter. The outcome provides significant certainty with respect to how the development provisions operate in the lease arrangements with ALH. The court determinations also increase the certainty with which market based rent will be determined in the future. The first major market rent review is scheduled for November 2018.

Distribution Reinvestment Plan (DRP)

The Board decided to continue to provide a DRP for the September 2012 distribution payment at a discount of 2.25% to the applicable trading price.

Around 36.9% of the securities on issue elected to participate. The Board will give ongoing consideration to the convenience it provides security holders as well as the potential ongoing capital needs of ALE.

Corporate Governance

Again this year a number of Board, and Audit, Compliance and Risk Management Committee meetings were required. I again thank my Board and Committee colleagues for their dedication to the task.

The Board met a total of 10 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 meetings.

As previously announced and in line with current corporate governance practice the Board has, through its Nominations Committee, continued to plan the process, by which new directors will be identified, selected and appointed to your Board. This is an important part of 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 nine 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 so as to maintain an appropriate amount of experience and institutional knowledge on the Board at all times. As each appropriate new director is identified an announcement will be made to the market and appropriate securityholder approvals sought at future meetings.

The preparations for board renewal commenced some time ago as has been previously announced. I had expected that we would have made further progress by this AGM. However, it was my view that it would be more sensible

and efficient to have the current board deal with all matters relating to the capital management review before embarking on the renewal process and indeed it would have been unfair on a new director to have them commence in the middle of this process.

I had thought we would have completed the capital and hedging review before now but this has not been possible for a variety of reasons. Now that this process has been completed we can embark on the renewal process.

This year both Helen Wright and I retire by rotation and offer ourselves for re-election with the unanimous support of the Board. Helen has been a very effective Director since her appointment in 2003 and, subject to your vote; we look forward to her 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 complete the hedging restructure during the past year in addition to the normal day to day operations.

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.

Outlook

The Board's distribution guidance for the 2013 financial year is at least 16.0 cents per security with target growth in excess of CPI until our next refinancing.

The Board and Management will continue to closely monitor all developments in the capital, credit and property markets. ALE enjoys a wide range of excellent relationships with financiers and advisers, as has been evidenced with the recently announced restructuring plan for our hedging arrangements and successful capital raising.

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.

I would also like to thank you, ALE's stapled securityholders for your continuing support this year. Your long standing relationship and support is a great asset to ALE.

Peter Warne
Chairman

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