ALE PROPERTY GROUP
ANNUAL GENERAL MEETING 2014
CHAIRMAN'S ADDRESS

Good morning and welcome to you all.

As the appointed time has arrived and as the necessary quorum is present, I declare this Annual General Meeting of the Australian Leisure and Entertainment Property Management Limited in conjunction with a meeting of Australian Leisure and Entertainment Property Trust properly constituted and open.

My name is Peter Warne and as chairman of the ALE Property Group, I welcome you to our 2014 Annual General Meeting.

Allow me to introduce to you the members of your Board of Directors, if you are not already acquainted with them:

- Andrew Wilkinson, CEO and Managing Director;
- Helen Wright;
- John Henderson;
- James McNally;
- Pippa Downs;
- Paul Say; and
- Brendan Howell, our Company Secretary.

Some of our management team are also with us today and I would like to introduce Mr Andrew Slade our Capital Manager, Mr Michael Clarke our Finance Manager and Don Shipway our Property Manager.

Also with us today is Mr Graeme MacLaren an independent director on the Board of ALE's financing vehicle, ALE Finance Company Pty Limited which is a wholly owned subsidiary of the ALE Property Group.

The Board and Management look forward to meeting with shareholders at the conclusion of the meeting.

The proceedings today will be as follows.

I will make a brief introductory address after which our Managing Director, Andrew Wilkinson, will provide his report on the operations of ALE during FY14 and our immediate outlook.

We will then move to the matters for decision by Securityholders as set out in the Notice of Meeting.

The Market

Before commenting specifically on ALE's performance this year, I would like to start with a few comments on developments in the international and local property and capital markets since last year's AGM.

I remarked last year that there had been a material improvement in the markets during 2013. These broad trends in both the property and capital markets continued during this financial year. Over the past six months in particular, despite continued improvement in the US, conditions have slowed in Europe and the view that a global low growth environment may be with us for many years has become more widespread. This has increased the momentum of investors being drawn to strong dependable earnings streams, similar to those that characterise ALE's properties and equity distribution profile.

Over the past year the US economy and its capital markets have continued to strengthen with economic growth picking up, employment growing and unemployment falling. The ongoing low level of interest rates continued to stimulate asset prices which in turn has raised business and consumer confidence which in turn has stimulated economic growth.

During the year investor confidence increased with the US stock market reaching record levels in September and issuance volumes in debt markets increased again and credit spreads continued to fall. In more recent months both of these trends have paused somewhat, with markets exhibiting some volatility. However, those markets remain at record levels.

The end to the period of quantitative easing or QE in the US has not disrupted markets as many had expected and the forecast of the timing of the tightening of monetary policy continues to be pushed out further into 2015.

In Australia, the markets continued to rise until August to a level somewhat short of their 2007 peaks. Like the US, markets have paused in recent months and corporate debt issuance has picked up and credit spreads declined.

We have seen quite a few capital raisings by both existing and newly listed AREITs, most of which have been in strong demand. We have also continued to see significantly increased turnover in the direct property market and a pickup incorporate activity in the AREIT and property management sector.

In property markets it has been notable that competition for quality properties is increasing from a wider range of both domestic and global institutions. Consistent with that view, credit markets have also become more competitive.

While domestic and international investor demand for high quality, well-leased, prime commercial property in Australia remains very high, yields or capitalisation rates have been very slow to fall in line with lower bond yields and have only edged lower. Thus property prices, other than in the residential sector, are yet to see significant widespread and material increases.

The lower risk profile of quality commercial property investment continues to enjoy increased support from both the commercial banking and debt capital markets.

Acquisitions and Divestments

During FY14 the pub property market was quite active, picking up from previous years when it had been quite lacklustre.

ALE reviewed a number of acquisition opportunities and continued to assess each opportunity against its strict investment criteria and to apply its rigorous, disciplined approach. ALE did identify a number of opportunities it considered attractive but in the final event was unsuccessful.

We did, however, divest ourselves of one property, the Victoria Hotel in Shepparton, for $4.5 million, a 98% increase on our acquisition price in 2003. The decision to sell this property was taken because our tenant ALH had separately chosen to sell the operating business of that hotel and ALE decided that it was in its best interests to put the business and the property back together and sell it as a single enterprise.

ALE, after more than a decade as Australia's largest listed owner of freehold pubs, can confidently claim a level of expertise in the assessment of the factors that generate value for its investors in this asset class. Asset price, location, the quality and experience of the tenant and key lease terms and conditions are all crucial considerations that inform our judgement. All of these factors must be advantageous to ALE before we form a positive view as to whether a single property or portfolio of properties will offer a level of appropriate commercial return and therefore be value accretive for securityholders.

In this environment, ALE's security price traded upwards during the year to 30 June 2014 from $2.67 to $2.90. Since year end, ongoing confidence in ALE and its positive outlook have seen ALE's price continue to increase to around $3.15 in recent days.

ALE's Strategic Priorities

ALE's first eleven years were characterised by clear and consistent strategic priorities that the Board has kept under continual review. These priorities will remain our focus going forward.

I have outlined ALE's priorities at previous Annual Meetings but they bear repetition as they all contribute to the achievement of our over-riding objective which is to maximise Securityholder value.

Our priorities are to:

- Deliver predictable distributions;
- Review our portfolio to ensure properties are well-maintained and, to the extent we are able, ensure value is maintained or enhanced;
- Maintain our costs below those of our peers;
- Ensure a sustainable capital management position with a efficient and cost effective debt structure;
- Tightly manage risk to preserve value for all stapled security holders;
- Undertake acquisitions or divestments where value accretive to do so; and
- Adopt and execute best practice in all regulatory and compliance matters to ensure all our obligations under the law, ASX rules and regulatory and property lease obligations are met.

ALE's Results

I will now make some brief comments on ALE's results.

A strong performance is the best description of this year's financial results.

ALE recorded a distributable profit of $31.2 million.

The distribution of 16.45 cents per security exceeded Board guidance and was 100% tax deferred or capital gains concessional.

The value of the properties increased by more than 5% to around $822 million and rental revenue increased by around 2.5% to $54.7 million.

ALE has continued to outperform all other AREITs in the index over the short and longer term, delivering a compound annual total return of 22% over the 11 years since our initial ASX listing in 2003.

We are also pleased that our operating expenses have remained at one of the lowest levels in the AREIT sector.

Andrew will provide more details in his presentation.

ALE's Capital Management

I would like to turn now to capital management. This was a major highlight for the year.

When we were here 12 months ago we advised that Andrew and the team were exploring various funding options which ALE may pursue to lower debt costs. At that time the Board had a number of recommendations from management with varying degrees of simplicity, risk and cost.

I am pleased to report that as previously advised in May 2014, ALE executed a $335 million refinancing. The refinancing was completed after an 18 month period of planning and consultation by ALE's management team with a wide range of participants in a range of debt markets.

Of all the alternatives available, the refinancing approved by the Board was the one with the simplest features, the lowest cost, the greatest long term flexibility and the lowest upfront and ongoing risk. The debt maturities are now evenly dispersed over the next nine years and ALE's established presence in one of the most liquid debt capital markets in the Asia Pacific region will be of continuing benefit to the group.

The refinancing represents a range of significant positives for ALE's securityholders. Andrew will outline those in detail during his presentation. In addition, management worked with a range of counterparties to devise and then execute a restructure of the interest rate hedging arrangements.

In summary, the Board was delighted with the outcome of the refinancing and hedge restructure. It achieved a number of features which had been on the Board's agenda for some years and provided an outcome that was at the highest quality and lowest cost end of the Board's spectrum of somewhat demanding expectations. It also simplified ALE's balance sheet and put in place a very efficient capital structure in terms cost, flexibility and risk mitigation with which ALE will go forward.

Corporate Governance

Again this year a significant number of Board and Audit, Compliance and Risk Management Committee meetings were required. In particular, a number of special meetings were held to deal with matters relating to the refinancing and potential acquisitions.

I again thank my Board and Committee colleagues for their dedication to the task.

As previously announced and in line with current corporate governance practice your Board has, through its Nominations Committee, continued to execute a plan, by which new directors are identified, selected and appointed to your Board as existing Board members retire. 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 eleven years' service. It is generally considered best practice that directors be appointed for no more than 10 to 12 years.

Accordingly, we have already commenced and will continue over the next few years to look 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.

I am delighted that over the last 11 months we have been able to announce the appointment of 2 new directors to your Board.

Pippa Downes joined the Board almost 12 months ago and has already made a great contribution to the discussion around the board table.

Paul Say joined the Board only recently and attended his first meeting only yesterday.

Both Pippa and Paul had very successful executive careers in their chosen fields and we believe will make excellent additions to the Board.

As required by ALE's Constitution, both Pippa and Paul are required to stand for re-election to the Board today as this is the first AGM following their appointments.

Needless to say the other members of the Board unanimously support their re-election and Pippa and Paul I am sure, look forward to your support today.

We will continue the process of identifying and selecting appropriate candidates for the Board and expect to announce an appointment of a further Director in the near term.

This year John Henderson retires by rotation and as part of the Board renewal process will not offer himself for re-election to the Board. John has over the past 11 years been an extremely effective Director. He was actively involved in the initial establishment and public listing of ALE. Since that time John has been the voice of experience and wisdom in the Board room on all commercial property matters. His insight into the outlook for the property markets, the nuances of property leases and his generally pragmatic approach have been extremely valuable to the Board. His contribution after many years of experience in the commercial property industry has been very much appreciated and John, on behalf of the Board, we sincerely thank you. I would also encourage securityholders here today to express their gratitude in the normal way.

ALE has a small but effective management team and accordingly it is essential that the Board and Management have a sound working relationship. I am pleased to say that all members of Andrew's team have worked hard to successfully complete this year's program of work. I particularly wish to acknowledge the significant effort that went into achieving the investment grade credit rating, the completion of the AMTN refinancing and the completion of the hedge restructure during the year.

On behalf of the Board, I extend my thanks to the management team for their dedication and commitment.

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, independence and diligence they each bring to their roles.

Outlook

You may recall that in November 2013, at ALE's Annual General Meeting, a paper was provided for investor consideration which examined the outlook for ALE's property values. It provided investors with an insight as to potential value arising from the significant capital expenditure by ALH and the under rented position of the portfolio. ALE received positive feedback on the paper, as most investors found that it allowed them to better understand the value of a reversion to a potentially higher level of market rent in future years. The paper is recommended reading for investors and may be found in the Announcements section of ALE's website.

ALE's tenant, ALH, very importantly continues to trade very well with the profit from its entire portfolio rising by 6.5% over the FY14. ALE is ALH's single largest landlord and we have no reason to believe that the performance from our properties is any different to that of ALH's overall portfolio.

The Board's outlook for future market rent reviews continues to remain robust.

ALE’s capital achievements provide a firm foundation for the coming years and give the Board confidence with respect to the future distribution profile. The distribution guidance for FY15 and until the next scheduled refinancing (in FY18) will be from a FY14 base of 16.45 cps growing by at least increases in the CPI. This guidance is provided subject any significant acquisitions or divestments which may take place and to some further comments I will now make regarding ALE’s future capital structure.

ALE’s Future Capital Structure

It is against the background of a strong outlook for rental income growth that we confirm that ongoing consideration is being given to ALE’s capital structure. At current property capitalisation rates ALE’s gearing presently stands at around 51%.

Over the next four to five years we would anticipate that a combination of CPI and market rental increases may increase the rental income of ALE’s properties by between 15% and 25%. In a stable capitalisation rate environment the value of ALE’s properties would increase commensurately. As a result, all other things equal, the current gearing level would be expected to fall by between 5% and 10%.

ALE’s long standing position on gearing has been to maintain it at a sustainable level. Over the next four to five years there are a number of steps that may be taken to ensure that gearing is maintained. These options could include, amongst others, debt funded components of any accretive acquisitions, security buybacks and increased levels of distributions funded via further borrowings. A combination of these options may also be considered.

Alternatively, the gearing level could be allowed to fall.

The Board will consult with and welcome feedback from both its larger and smaller securityholders to gain an understanding of any preferences for the available options.

Closing Remarks

As you would expect the Board will continue to closely monitor all developments in the capital, credit and property markets. ALE's ability to do so is enhanced by a wide range of excellent relationships with advisers and financiers.

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, particularly in repositioning ALE’s capital structure to both reduce cost and risk as well as deliver value for you, ALE's Securityholders.

In particular, I would again like to thank John Henderson for his 11 years of very valuable service to the Board.

I would also like to thank you, our Securityholders, for your continuing support this past year and throughout our eleven years as a listed entity. Your long standing support for ALE is important and very much valued by the Board.

Peter Warne

Chairman