ALE Property Group
Annual General Meeting – 10 November 2010

New Brighton Hotel, Manly Beach, Sydney, NSW

ALE PROPERTY GROUP

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
Australian Leisure and Entertainment Property Trust ARSN 106 063 049

Contents

Highlights for FY10

- Distributable profit exceeded guidance
- Distribution guidance delivered
- Capital management initiatives implemented successfully
- Net gearing significantly reduced
- Property valuations stable
- Refinancing progressing well
- The future: well positioned to continue delivering quality returns

Highlights for FY10

Key capital management and refinancing achievements since June 2009:

- $337m of funding sourced including:
  - $105m of capital raising
  - $125m ALE Notes 2 issue
  - $107m of properties sold
- $223m of debt bought back and repaid
- 16.2% reduction in net gearing from 68.3% to 52.1%
- A measured and orderly program that achieved objectives

FY10 Results
Key Metrics

	FY10	FY09	Change
Distributable profit	**$38.1m**	$33.6m	13%
Number of securities	**153.4m**	87.7m	75%
Distributable profit	**24.00c**	30.00c	(20%)
87 properties valuation	**$713.8m**	$718.5m	(1%)
Net gearing	**52.1%**	68.3%	(16%)
Net assets	**$322.6m**	$269.5m	20%
Net assets per security	**$2.14**	$2.80	(24%)

1. Distributable profit - cents per security
2. Net gearing = (Net Finance Debt – Cash) / (Total Assets – Cash - Derivatives)
3. Net assets excludes derivative assets and liabilities

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FY10 Results
Distributable Profit

	FY10 (M)	FY09 (M)		Comments
Revenue	**$64.6**	$57.4		➢ Higher interest income, 17 property sales, CPI rent increases and debt buybacks
Borrowing expense	**$20.0**	$18.3		➢ Reduced the levels of debt, $2.0m of hedge termination costs and ALE Notes 2 credit margin
Management expense	**$3.7**	$3.5		➢ At 0.43%, ALE has one of the lowest management expense ratios in the A-REIT sector
Land tax expense	**$2.9**	$2.0		➢ Revaluations of QLD land values. Future land tax mitigated by disposals of five QLD properties
Distributable Profit	**$38.1**	$33.6		➢ 13.4% increase
Securities on Issue	**153.4**	87.7		➢ Capital raising increased number of securities
Distributable Profit (cps)	**24.82c**	38.64c		➢ 3.4% above Board guidance of 24.00c
Distributions (cps)	**24.00c**	30.00c		➢ 42% discounted capital gain, 31% CGT concessional and 27% taxable

1. Distributable Profit excludes non-cash accounting items
2. Management Expense ratio = Management expenses / Total assets

Capital Management
Capital Management Summary

- ALE reduced net gearing to around 52.1% by adopting the following initiatives since June 2009:

✓	➢ $105 million capital raising with 90% take up
✓	➢ $107 million from property divestments at 6% cap. rates
✓	➢ Applied liquidity to repayments and discounted buybacks

- CIB/CMBS buyback discounts of $6.6 million have delivered value for security holders
- ALE has maintained a consistent and disciplined approach to both risk and capital management

Note: Net Gearing = (Net Finance Debt – Cash) / (Total Assets – Cash - Derivatives)

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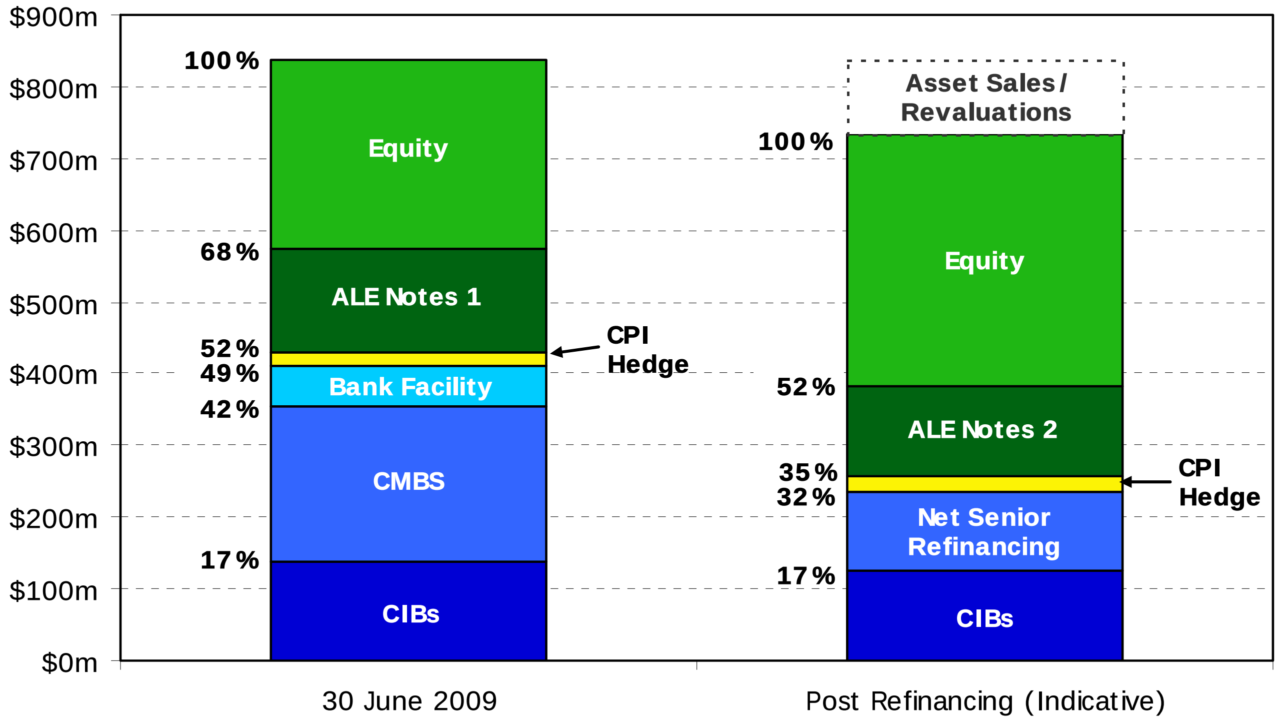
Capital Management
Changes in Debt Profile

Achieved a significant reduction in net debt

Facility	June 2010 Balance (M)	June 2009 Balance (M)	Scheduled Maturity	Term In Years
CIBs	**$126**	$139	November 2023	13.2
CMBS	**$158**	$245	May 2011	0.8
NAB - Bank facility	**$0**	$55	Fully repaid	Fully repaid
CPI Hedging	**$25**	$21	Nov 2023 / May 2023	13.0
ALE Notes 2	**$125**	$0	August 2014	4.0
ALE Notes	**$84**	$152	September 2011	1.1
(Cash and Equivalents)	**$(132)**	$(65)	Term deposits	
Total Net Debt	**$386**	$547		

1. CPI Hedges are subject to rights of review or extension in December 2012 and May 2013
2. ALE Notes - includes amortisation of face value premium of 2.5% payable on redemption in Sep 2011
3. Shown net of capitalised costs for accounting purposes
4. ALE Notes 2 term may be extended until August 2016 at ALE's option
5. Amounts and terms rounded

Capital Management
Changes in Capital Structure



Changing profile is delivering lower Net Gearing

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Capital Management
Impact on Net Gearing

- Gearing levels when ALE started in 2003 were around 88%
- Net gearing reduced from 68.3% to 52.1% during FY10
- Current headroom to covenants:
  - 2.0% movement in cap. rates (from 6.6% to 8.6%); or
  - 24% reduction in property values
- Impact of cap. rate movements
  - 0.50% movement - net gearing would move by around 4%

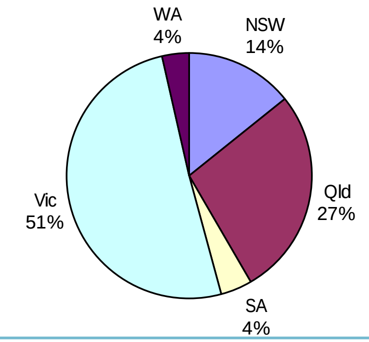
Note: Net Gearing = (Net Finance Debt - Cash) / (Total Assets - Cash - Derivatives)

Property Valuations – June 2010

- Stable valuation performance from a diverse portfolio
- Strength of portfolio reflected in recent sale cap. rates at average 6.01%
- Well located in capital cities with average value of $8.2 million

Portfolio breakdown by geography (as at June 2010)[1]

	Number of properties	Value ($m)	Average Value ($m)	WACR	Portfolio diversification by value
NSW	10	100.9	10.1	6.65%	
QLD	32	196.1	6.1	6.68%	
SA	7	29.7	4.2	6.68%	
VIC	34	362.0	10.7	6.53%	
WA	4	25.2	6.3	6.60%	
Total	87	**713.9**	**8.2**	**6.60%**	



Small increase in cap. rate from 6.48% at June 2009

1. Values excludes entitlement arising from Ferny Grove QLD resumption
2. Sales cap. rate quoted net of QLD multiple holder land tax applicable to ALE

FY11 Outlook and Strategy
Refinancing – Completed To Date

- Since September 2009 ALE has repaid, bought back and refinanced debt progressively
- Debt buyback discounts of $6.6m have been achieved and lower margin debt has been left in place to maximise interest savings
- ALE continues to have $125m of CIBs on issue with a fixed rate of 3.4% until November 2023 (13 years)
- All base interest rates on CMBS (and any debt that replaces it) and ALE Notes 2 are fixed by CPI hedging with final maturity dates in 13 years
- Credit margins are subject to reset to market levels at time of refinancing

FY11 Outlook and Strategy
Refinancing – Completed To Date

- ALE Notes 2 of $125m
  - completed in April 2010 amid significant demand
  - margin of 4.00% over BBSW
  - compares to margin of 1.00% on 2003 issue of ALE Notes
  - 4 year initial term with option for ALE to extend out to 6 years
  - represents unsecured funding of net gearing between 35% and 52%
- Today around $250m or 60% of the total debt required is already in place with an average term of up to around 9 years
- Margin of 0.25% applies to the existing senior secured CMBS debt with a scheduled maturity date of May 2011

FY11 Outlook and Strategy
Refinancing – Next Steps

- Senior secured refinancing of CMBS
  - refinancing amount of circa $150m
  - expected to be completed prior to scheduled maturity date of May 2011
  - represents secured funding of net gearing up to 35%
- Remaining ALE Notes of $80m to be repaid from more than $100m of surplus cash balances prior to maturity date of September 2011
- After completion of senior secured refinancing, average margin across all debt facilities is expected to have increased from 0.55% to between 2.00% and 2.50%
- Opportunity for further debt buybacks and discount benefits in FY11

FY11 Outlook and Strategy
Refinancing – Next Steps

- Consideration continues to be given to restructuring the existing CPI Hedging

- Encouraging discussions with a number of counterparties continue with respect to a range of options to complete the senior secured debt refinancing on a cost efficient basis

- This will be the <u>third time</u> that ALE has arranged funding for the property portfolio

FY11 Outlook and Strategy
Distributable Profit Guidance

- Previous FY10 guidance of 22.1 cps was based upon a weighted average margin across all debt facilities of 0.55%
- Expected increases in debt margins reduce distributable profit
- FY11 distributable profit guidance of at least 18.50 cents per security is expected to be confirmed upon completion of refinancing. Impacts include
  - part year of November 2010 CPI rent review of 2.95%
  - full year of ALE Notes 2 debt margin
  - part year of senior secured debt margin
- FY11 first half-year guidance of at least 10.00 cents per security, with second half expected to be partly impacted by senior secured margins
- FY11 and FY12 distributable profit expected to be at least 50% tax deferred

FY11 Outlook and Strategy
Distributable Profit Guidance

- Full year FY12 distributable profit guidance of at least 16.00 cents per security includes expected full year impacts of both ALE Notes 2 and senior secured debt margins
- Distributable profit guidance includes locked in counter swap benefits totalling $8m to be paid out over FY11 to FY13
- Objective is to grow distributable profit by CPI from a base of at least 16.00 cents in FY12 until the year of next refinancing
- All guidance assumes the existing portfolio, hedging and capital structure continue to prevail in future years

FY11 Outlook and Strategy
Acquisitions

- Disciplined and consistent approach
- Over the past seven years ALE has:
  - acquired 11 properties for $100m at an average cap. rate of 7.2%
  - sold 22 properties for $124m at an average cap. rate of 6.1%
- Criteria continue to include:
  - quality tenant covenant with diverse locations and sustainable profitability
  - long term leases with an indexed rental structure, where the outgoings and development risks are assumed by the tenant
  - smaller value properties that are attractive to a range of investors
  - properties (including pubs) that will remain strategically important to the tenant's core operations

Seven Years of Performance
Key Equity Performance Metrics

ALE continues to outperform all S&P/ASX 300 REITs in Australia

Investment at 2003 ASX listing	$1.00
Distributions paid to Aug 2010	$1.97
Current accumulated market value	$4.49
Total securityholder return	30.2% p.a.
Growth in market capitalisation	$91m to $313m

1. Based on 11 August 2010 closing security price of $2.04
2. Distributions includes $0.41 payment for renouncing Sep 2009 rights
3. Accumulated value includes security price plus reinvestment of distributions

ALE PROPERTY GROUP

Resolution 1 - Re-election of James McNally as a Director

Proxy Summary

Total number of valid Proxy Votes	67,323,142	100.0%
FOR	66,171,189	98.29%
AGAINST	134,586	0.20%
OPEN PROXIES	1,017,367	1.51%

This resolution will be decided on a Poll

Resolution 2 - Non Binding Advisory Vote on Remuneration Report

Proxy Summary

Total number of valid Proxy Votes	67,290,376	100.00%
FOR	60,445,716	89.82%
AGAINST	5,831,436	8.67%
OPEN PROXIES	1,013,224	1.51%

This resolution will be decided on a Poll

Resolution 3 – Non-Executive Directors' Remuneration

Proxy Summary

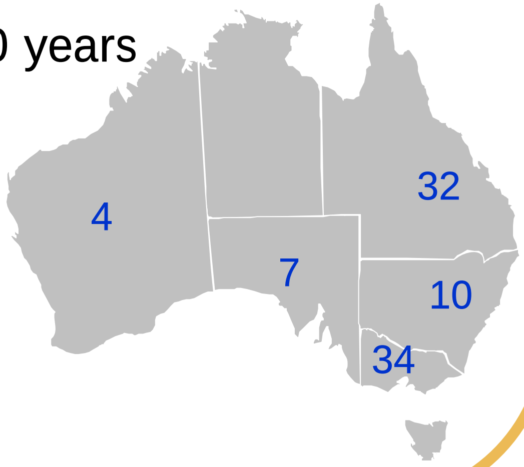
Total number of valid Proxy Votes	66,848,467	100.00%
FOR	64,172,616	96.00%
AGAINST	2,161,038	3.23%
OPEN PROXIES	514,813	0.77%

This resolution will be decided on a Poll

About ALE – Summary of Portfolio and Leasing Arrangements

- ALE (ASX:LEP) is the largest freehold owner of pubs in Australia
- Established in 2003 with properties acquired from Foster's
- Currently owns 87 pub freehold properties
- High quality portfolio across mainland capital cities
  - All on long-term triple-net[1] leases
  - 25 year initial term with average 18 years remaining
  - Four options for lessee to extend lease by up to 40 years
- 100% leased to ALH who is
  - Australia's leading operator
  - 75% owned by Woolworths Limited
  - The owner of licences and development rights

ALE Pubs in Australia



1. 3 of the 87 properties are on double-net leases

About ALE – Summary of CPI Hedging Arrangements

- CPI Hedging terms expire 2023 (13 years remaining)
- A) ALE receives floating base rate interest at BBSW (plus a margin)
- B) ALE pays fixed real base rate interest
- Net interest obligation is a fixed rate payment at a real rate
- Fixed real rate payments are based on a balance that escalates by CPI (the same basis as CIBs issued by ALE)
- ALE can break at anytime and hedge provider has rights to break or extend every five years (firstly at Dec 2012 and May 2013)
- Repayment by ALE in 2023 is the amount by which the balance has increased by CPI. Earlier unwind may also include mark to market costs or profits

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