



Australian Leisure and Entertainment Property
Management Limited

ALE PROPERTY GROUP
ANNUAL GENERAL MEETING 2015
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 2015 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;
- Nancy Milne;
- James McNally;
- Pippa Downes;
- 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 are both 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 and Mr David Lawler the independent member of the Audit, Compliance and Risk Management Committee.

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 FY15 and our immediate outlook.

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

Before reviewing ALE's performance in FY15, I have a request to make of shareholders present.

I ask shareholders to ensure that they vote all the shares they hold, either directly or by proxy, in favour of all Resolutions the Board will put to the meeting today.

Your Board believes all the Resolutions put to the meeting today are in the best interests of ALE securityholders and are all unanimously supported by all Directors.

The Board of ALE greatly values the support securityholders have shown over previous meetings and particularly so this year.

Unsolicited, indicative and non-binding proposal to acquire ALE

First of all, I would like to make some comments regarding the unsolicited, indicative and non-binding proposal ALE recently received.

ALE announced to the ASX on 14 October that it had received an unsolicited, indicative and non-binding proposal to acquire up to 100% of ALE's stapled securities by way of an all-cash takeover offer (which I shall refer to as the **Proposal**).

The offer was made by Caledonia (Private) Investments Pty Limited (who I shall refer to as **Caledonia**). Caledonia is ALE's largest securityholder with a 25.84% interest in ALE's issued securities.

The Proposal contemplated Caledonia making an offer for ALE's stapled securities at \$3.95 per stapled security.

The Proposal was expressed to be incomplete and subject to a number of pre-conditions, including:

- a unanimous recommendation from the ALE Board for ALE securityholders to accept the Offer, in the absence of a superior proposal; and
- entry into a Bid Implementation Agreement containing customary deal protection provisions.

As we have already announced to the ASX, the ALE Board believes an offer for ALE's securities at \$3.95 per security would significantly undervalue ALE and accepting such an offer would not be in the best interests of ALE securityholders. On this basis, ALE advised Caledonia that it will not be progressing the Proposal.

I would point out that since advising the market that ALE had received the Proposal and had subsequently rejected it, we have received overwhelming support from the shareholders we have spoken to agreeing with our decision. In fact, other than Caledonia, we have not had one shareholder who has disagreed with our action.

ALE continues to assess a number of opportunities designed to further grow distributions and securityholder value in line with its consistent strategy.

No action is required by ALE securityholders at this time in relation to the Proposal.

ALE will provide further updates to the market as appropriate.

The Market

I will turn now to a general overview of the markets most relevant to ALE. The global economy continued to grow only slowly during the year with the prospect of an increase in the global growth rate still uncertain, particularly given increasing evidence that the Chinese economy is in the midst of a significant slowdown. The prospect of a rise in US interest rates remains likely in the short term, but the US Federal Reserve is likely to remain extremely cautious while global growth remains anaemic.

Slowing Chinese growth was arguably the catalyst for a slump in equity markets, which have largely erased the gains in the first half of calendar 2015.

With this backdrop, investors continue to be drawn to strong dependable earnings streams, similar to those that characterise ALE's properties and equity distribution profile.

Despite the slump in equity prices, the price of ALE's securities grew strongly over 2015.

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. At the same time, credit markets have become marginally less competitive.

Domestic and international investor demand for high quality, well-leased, prime commercial property in Australia remains high.

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

The Market for Pubs

Activity in the pub freehold property market continued to grow in FY15.

We estimate that over 200 pubs have changed hands over the last year. These sales have met with strong demand with record prices being paid on many occasions.

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, 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.

ALE will continue to seek acquisition opportunities that are of a high quality, meet all specified criteria and represent an accretive value opportunity for securityholders. Even if these opportunities are not available, ALE will continue to work constructively with ALH to ensure that the existing

portfolio of properties continues to perform at the strong profitability levels that currently prevail.

ALE's Strategic Priorities

ALE's first twelve years have been 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 and growing 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 an efficient and cost effective debt structure;
- Tightly manage risk to preserve value for all stapled security holders;
- Undertake property 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.

ALE achieved another strong performance in the 12 months to June 2015, producing a profit after tax of \$99.4 million for the year, compared to a profit of \$37.2 million in FY14. The increase was primarily due to an increase in the fair value increment of ALE's properties. There was also an increase in rental income. Management costs reduced marginally and ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

ALE's distributable profit was \$29.1 million. The distribution to securityholders of 16.85 cents per security was 100% tax deferred and above guidance.

ALE has continued to outperform all other AREITs in the index over the short and longer term, delivering a

compound annual total return of 22.4% over the 12 years since our initial ASX listing in 2003.

Andrew will provide more details on our FY15 results in his presentation.

ALE's Capital Structure

ALE's Capital Structure continues to be low risk, with long term debt maturities, long term interest rate hedging and a low effective interest rate of just 4.35% until the first maturity date in August 2017.

ALE's Capital Management strategy is based on successfully managing all aspects of refinancing risk and enabling ALE to deliver consistent growth in distributions.

The refinancing completed in May 2014 reduced ALE's annual interest expense by around \$7 million. ALE now enjoys a simplified debt structure with just two types of fixed rate bonds.

During FY15 the Board and management continued to explore a range of debt funding solutions in both the domestic and offshore capital markets with a view to positioning ALE for debt refinancings and implementation of any additional debt funded acquisitions.

As a result of the \$78.8 million increase in property valuations, ALE's gearing reduced from 51% to 48% and net assets per security increased by 17.6% to \$2.27.

ALE's market capitalisation increased by more than 25% or \$145 million to \$722 million during the year.

As at 30 June 2015 ALE's average debt term remains long at 5.5 years and the average hedging term, on 100% of the net debt, also remains long at 7.8 years.

Corporate Governance

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.

Most directors have been with ALE since listing in 2003 and given corporate governance best practise counsels that directors should serve a maximum of 10-12 years, it is appropriate we look to successively replace long serving directors.

We will continue to look for opportunities to appoint new directors in order to facilitate board renewal and maintain an appropriate amount of experience and institutional knowledge on the Board at all times.

During FY15 this process continued with the retirement of John Henderson at the 2014 Annual General Meeting, following the appointment of Paul Say in September 2014. Nancy Milne joined the Board in February 2015 as Helen Wright has advised that she intends to retire following the meeting today.

I would like to take this opportunity to thank Helen on behalf of the Board, all securityholders and myself for her 12 years of service to the Group. Her sharp mind and skill and experience in relation to legal and property matters has been extremely valuable to the Board. Her dedication to the task of Chair of the Audit, Compliance and Risk

Management Committee has also been greatly appreciated. And just as importantly her collegiate manner, sense of humour and self deprecating style have made her an absolute delight and pleasure to work with over the last 12 years.

Thank you Helen for everything you have done for ALE, your service has been greatly appreciated and you will be sorely missed.

In keeping with best practice and our policy a board performance review was again carried out this year.

Following the completion of a questionnaire by each of the directors and management team I conducted an individual interview with each director. A review of the Chairman's performance was carried out by one of the other independent directors.

I can report that the review considered that the board

- Properly understood its role and appropriate separation from management,
- Considered it had, as a group, the necessary skills and experience to properly carry out its duties,
- Agreed the recently appointed directors to the board were making valuable contributions, and
- Had properly carried out its responsibilities during the year.

As we had done in prior years, in 2014 the Board undertook a 2 day trip to inspect and meet the management of a number of our properties on the Sunshine Coast, in Brisbane and on the Gold Coast. As part of this trip we also received presentations on the outlook for and current trends in the gaming and pub industry from industry experts.

In 2015 we visited a number of our properties in Victoria and again received presentations from industry experts.

The Board found these visits extremely useful and witnessed first hand where our tenant's capital expenditure dollars had gone and what has been achieved in improving and upgrading the various premises and the services they offer.

ALE has a small, dedicated and effective management team which works harmoniously with the board to implement ALE's consistent, long term strategy. On behalf of the Board, I extend my thanks to the management team for their dedication and commitment in the past year.

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

The outlook for the 2018 and 2028 rent reviews remains positive given the increase in ALH's operating profitability across a large number of ALE's properties.

The Board has previously advised that it was considering various capital management options to maintain the appropriate level of gearing for ALE up to and beyond the 2018 market rent review.

With gearing at the end of FY15 being below the target range at 48%, the Board has determined, following consultation with large and small securityholders, to restore gearing to within the 50-55% range via distributions of capital.

This has allowed us to increase the distribution guidance for FY16 to a total of at least 20cps and forecast continued growth in subsequent annual distributions by at least the level of the CPI. We have also announced that consideration will be given to additional capital distributions following the conclusion of the 2018 rent review.

This guidance assumes that the existing property holdings, hedging and capital structure remains unchanged and will, of course, be reviewed annually in light of the then prevailing circumstances.

Closing Remarks

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, our Securityholders, for your continuing support this past year and throughout our twelve years as a listed entity. Your long standing support for ALE is important and very much valued by the Board.

Peter Warne

Chairman