



Australian Leisure and Entertainment Property Management Limited

ALE PROPERTY GROUP ANNUAL GENERAL MEETING 2020

CHAIRMAN'S ADDRESS

I will now make a brief introductory address after which our Managing Director, Guy Farrands, will provide his report on the operations of ALE during FY20.

Highlights

- The distributable profit of \$30.4million for the 2020 year was in line with expectations.
- The full year distribution was in line with guidance at 20.9 cents per security. The distribution was around 49% tax deferred.
- Subsequent to year end some important events occurred:
 - The 2018 rent determinations, which were subject to a maximum increase of 10% and a maximum decrease of 10%, were finally received. Overall the rent for the 79 properties subject to review has increased by 4.4%.
 - Despite this result, ALE considers that the determinations issued in relation to the 19 Victorian properties, were not made in accordance with the requirements of the rent review provisions of the relevant leases. Therefore, ALE has commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations are not binding on the parties.
 - Following the receipt of the rent reviews ALE's property portfolio has been independently revalued to \$1,225.8m. This is 4.4% higher than the book value as at 30 June 2020.

Rent Reviews

ALE has received annual property rent increases based on CPI for 14 years from 2003 to 2017 and in 2019 and 2020. The November 2018 rent review related to 79 of ALE's 86 properties and allowed for an increase or decrease in rents of up to 10%. The remaining 7 properties having rent reviews in future years.

During 2019 ALH accepted a 10% increase for 36 properties while the rents for the remaining 43 properties were the subject of determinations by the appointed independent valuers. These determinations were received in September 2020.

As I said in 2019, the process and methodology for agreeing the required rent review was being tested for the first time since the leases were entered into in 2003. After reviewing the determinations, ALE considers that the determinations issued in relation to the 19 Victorian properties were not made in accordance with the requirements of the rent review provisions of the relevant leases.

ALE has commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian determinations are not binding on the parties.

Almost all of our leases expire in November 2028. If the tenant exercises its option to renew the lease there is a rent review with no minimum or maximum rent. The independent valuers have estimated that our portfolio's uncapped and uncollared rent would be 33% higher than the current passing rent as at 31 October 2020. This estimate does not take into account any impact of the Victorian litigation.

In view of the pending litigation I do not intend to make any further comments or answer questions about the 2018 rent review or the Victorian litigation. Guy Farrands will discuss further the views of independent valuers about the extent of under renting in the portfolio.

Corporate Governance

As foreshadowed last year, after nearly 17 years in the role of Managing Director Andrew Wilkinson has stepped down to pursue new executive challenges outside ALE. Once again I, both for myself and on behalf of the board, wish to thank Andrew for his very diligent and consistent contribution to the Group since 2003. He made a very substantial contribution for which we are very grateful.

Our new CEO/Managing Director is Guy Farrands. Guy is a highly experienced executive and has had a 30 year career in ASX-listed real estate entities. He has occupied the role of either CEO or CFO at other companies for the last 13 years. We are delighted to welcome him to ALE and to the board.

Apart from Guy joining, there have been no changes to the Board this year. As he is Managing Director Guy is not required to stand for election under ASX listing rules. However, Pippa Downes and Paul Say are standing for re-election today with the strong support of the Board.

Capital Management

As previously advised, now that the rent review determinations have been received, the Board is reviewing the appropriateness of ALE's distribution and capital management policy. In doing so the Board is taking into account the rent reviews

received, the results of our property valuations, the prevailing property and capital market conditions and the expectations of our Securityholders. We expect to be able to update the market about this before the end of the year.

Closing Remarks

In closing, I again thank my fellow directors and all of our management team for their dedication and hard work during the year, particularly the significant effort that was involved in the transition between CEOs and dealing with the impact of the COVID-19 pandemic.

I also thank you, our Securityholders, for your continuing support and constructive engagement this past year. Your long standing support for ALE is important and very much valued by the Board.

Robert Mactier
Chairman

17 November 2020