

24th November, 2008

ASX Announcement

**Announcement No 16/08
The Manager
Corporate Announcement Office
Australian Securities Exchange**

**HLG PROPERTY FUND
ANNUAL GENERAL MEETING 2008
CHAIRMAN'S ADDRESS**

Chairman – Colin Henson

Good afternoon Ladies and Gentlemen and welcome to the 2008 Annual General Meeting of Hedley Leisure & Gaming Property Partners Limited (which I will call **the Company**), and a meeting of the Hedley Leisure & Gaming Property Trust (which I will call **the Trust**).

Chairman's address

The group's lawyers have insisted that we include in today's proceedings the disclaimer shown on the screen.

None of the representatives of HLG will be providing any investment or financial advice today. If you need financial advice please consult your financial or other advisers.

Ladies and Gentlemen HLG was listed on the ASX on the 2nd August 2007 in a totally different financial climate to that which exists today. For most of the period that the company has been listed and particularly over the last few months, there has been turmoil on world financial markets. The volatility in the debt and equity markets has led to governments and central banks intervening in an attempt to save markets and financial systems worldwide from total collapse. Companies and individuals throughout the world have been impacted by the developments. HLG is no exception and in some respects has been hit harder by the downturn as it is classified in markets as a property trust.

Despite the fact that HLG owns a portfolio of around 100 pubs which historically produce acceptable returns in times of economic highs and economic lows (people go to pubs to celebrate in good times and commiserate in bad), it is very difficult to change the attitude of the investment community and value HLG as something other than a mere property owning company.

It is important for me to emphasise that HLG's pubs and bottle shops are of good quality. A pub is a discrete business - it is not like an office tower, which may lose tenants or be unable to attract tenants in an environment of reduced business activity and it is not like a specialty store in a shopping mall which leaves no business to generate income should it default when the economy falters. In most cases the pubs that are owned by HLG having been in operation for many years, have been through several business cycles, and we believe that they have the resilience to withstand this business cycle no matter how long it continues. In the event of a default by a tenant the pub related licenses revert back to HLG as landlord providing HLG with an operating pub business that will continue to generate income.

I make the point however that to this date the Company has received all rent due from its pub and bottle shop tenants. Rentals charged to tenants have been increased in accordance with lease terms and we see no reason to have any doubt in relation to the quality and maintainability of the Company's future rental cash inflow.

In their presentations, Peter Armstrong as Chief Operating Officer and Stephen Donnelly as Chief Financial Officer, will review the performance for the Financial Year ended 30th June, 2008 and discuss the factors that management can and can't control in this difficult environment..

Review of 2008

I will now briefly review HLG's performance over the 2008 financial year. Against the backdrop of challenging conditions, HLG has delivered a profit in line with the Prospectus and Product Disclosure Statement (PDS) that was issued in 2007.

It should be noted that if it were not for the write-downs in the value of the company's assets following a change in view of pub valuations by an independent valuer, HLG would have exceeded its PDS forecasts. The reduced values of the pubs create a "book loss" but I emphasise that this is not a realized or cash loss as the assets revalued have not been sold.

As HLG's main business is to derive rental income from tenants of pubs and bottle shops, the change in the value of HLG's underlying assets does not impact on the performance of the Fund. Indeed, the Board and management is pleased with the operational performance of the Company.

Distribution Policy

Although the valuations do not impact on the underlying business, they do impact upon the flexibility of the Company Board in dealing with HLG's balance sheet and the use of available cash.

In the prevailing world financial climate and following the reduced asset values, it is considered as being contrary to the best interests of the Company overall to pay distributions from equity, or any implied increase in equity due to increases in rent. This has resulted in HLG amending its distribution policy to a level of distribution of approximately 70% of free cash flow until the balance sheet of the Fund is at a level which is consistent with the balance sheets of other Property Trusts. The Company Board foreshadows a distribution during the 2009 Calendar year of 8 cents per stapled security. Under the current capital structure HLG's distributions will be 100% tax deferred for the foreseeable future.

Although we are unable to provide you with tax advice and in this respect you should see your own tax specialist, generally the Tax Deferred status means that recipients will not pay tax on the distributions of HLG until those recipients have received a sum greater than the prevailing prices for the stapled securities.

This is one step in a process to ensure that HLG has an orderly rollover of debt when current Bank facilities mature in August 2010.



HEDLEY LEISURE & GAMING PROPERTY FUND

This year Nerolie Withnall, Stephen Donnelly and I retire from the Board in accordance with requirements and offer ourselves for re-election. There is no doubt that we have experienced a very difficult period since ASX listing. All of the retiring members of the Board have the enthusiasm, energy and dedication to work with the rest of the Board in implementing the processes to restore and build value in HLG for the benefit of all security holders. Subject to your vote, the Board looks forward to their continued contribution.

Outlook

I will now briefly comment on HLG's outlook for the immediate future.

When I spoke to you 12 months ago, we were of the view the Fund would prove to be a solid, long term growth vehicle with many prospects before it. That view hasn't changed however the developments in world financial markets have made it very difficult to assess the future trend in pub valuations. In an orderly market, logic would usually dictate that the reduction in the prevailing interest rates that we are now witnessing should provide a buffer to further falls in pub values and may even result in a rise in pub values.

As is often the case, logic does not always prevail. With this in mind, various possible and achievable strategies to assure HLG's future are being considered. It is far too early to regard these as proposals but the management and Company Board at HLG will work tirelessly to develop capital management initiatives that will ensure that the Company does not breach any of its Bank Covenants in the event that there is any further deterioration in pub values. Announcements will be made regarding any material capital management initiatives before implementation. Security Holder approval may be required in some cases before proceeding.

To counter the prevailing difficult market conditions, the Manager has recently added depth and experience to the management team by the appointment of Peter Armstrong in the role of Chief Operating Officer. Peter has a wealth of experience in hotel operations. For the last 4 years was General Manager Hotels for Coles Liquor Division and otherwise has strong experience in business

**HEDLEY LEISURE & GAMING PROPERTY FUND**

acquisitions/divestments, property development and most importantly strategic and general business management.

In closing, I would like to thank the staff of the Manager as well as my colleagues on the HLG Board and the Responsible Entity for their dedication and hard work in 2008.

I would now like to introduce Peter Armstrong and Stephen Donnelly who will deliver a presentation on HLG's future direction and F08 results.

Colin Henson
Chairman
Hedley Leisure and Gaming Property Partners Limited



**On behalf of the Board of Hedley Leisure & Gaming
Property Partners Limited, I thank you for your
attendance here today.**

**Colin Henson
Chairman**

KEY POINTS SUMMARY

- NTA is \$2.38 per security at June 30
- Taking steps to derive extra value from surplus land holding
- Debt reduced by \$100 million
- Focus is on strengthening the Balance Sheet
- Ensuring the current lending remains compliant
- Preparing for refinace in August 2010
- Ongoing distribution forecast of 8c per annum
- The Fund's business is performing to forecasts



BALANCE SHEET - KEY POINTS

- Prudent approach adopted i.e. asset write-downs of \$80m (across portfolio) = LVR incr. of +8%
- Loan facility limit of \$800 million drawn to \$754 million
- Debt reduced by \$100m from sale of ALE shares and rebasing interest rate hedge
- No loan maturities prior to Aug 2010
- \$83m acquisition contracts settled incremental to PDS
- Asset sales = \$13 million (at or near book value)
- Total ICR (for bank purposes) = 1.36x, is compliant
- Total LVR (for bank purposes) = 69.9%, is compliant

	Year ended
\$ million	30 June 2008
	Source: Audited accounts
Cash	11
Property	1,069
ALE	10
Other assets	8
Total Assets	1,098
Current Liabilities	25
Loans & Borrowings (net)	746
Total Liabilities	771
Net Assets	327



PROFIT & LOSS - KEY POINTS

- Operated in line with PDS forecast
- All rent collected as per lease obligations
- Rent increased by 3.8% as per lease obligations i.e. \$2.85m
- Average rent on book value is 6.9% (up from 6.1%) compared to ALE at 6.2%
- Implied yield at Market cap (based on 30 June market cap) is 8.9%
- Operating profit \$10.058 million

	30 June 2008 \$'000
Net property income	67,207
Net finance costs	(57,903)
Other income and expense (net)	(100,069)
Loss as shown in the Income statement	<u>(90,765)</u>
<i>Add (less) non-operating items</i>	
Fair value adjust. to derivative financial instruments (IR)	(20,620)
Gain on disposal of investments (ALE Shares)	(5,337)
Net fair value adjust. (\$23m acq. costs + \$80m write-down)	102,799
Loss on sale of investment (Mt Isa)	21
Impairment of available sale assets (ALE shares)	17,718
Other property acquisition costs (5 contracts)	4,402
Other expenses (One off Legal and Q S Costs)	740
Amortisation of bridging facility costs retired prior to listing of HLG	<u>1,100</u>
Profit from operations	<u>10,058</u>



HEADLINE RESULTS

As at 30 June 2008

ASX closing price	\$0.64
Total stapled securities on issue	137.2 million
Distributions (cents per stapled security)	25.00
Annualised yield on ASX closing price	39%
Net assets per stapled security	\$2.38
Tax deferred percentage	30.74%
Total assets	\$1,098million
Debt to total assets	67.9%
Remaining average lease duration of property portfolio	17.0 years
Management expense as percentage of total assets	0.27%
Net profit (loss)	\$(90.8) million
Operating profit	\$10.06 million

KEY EVENTS

- ASX listed on 2 August 2007 with \$1.065 billion in property assets
- Completed all acquisition contracts as per PDS prospectus
- Additional acquisitions throughout F08 = \$83 million
- Rebased interest rate hedge in February realised \$45 million and increased interest rate payments
- ALE shares sold for \$55m at a 12.5% premium to market price
- 5 Assets divested for \$13m at or near book value
- Acquisition costs expensed (\$23m) resulting from IPO
- Annual valuation process led to write-down of assets = \$80 million
- Distribution of 25 cents per stapled security



F08 Financial Results

Stephen Donnelly – Chief Financial Officer

[Faint, illegible text, likely a watermark or bleed-through]



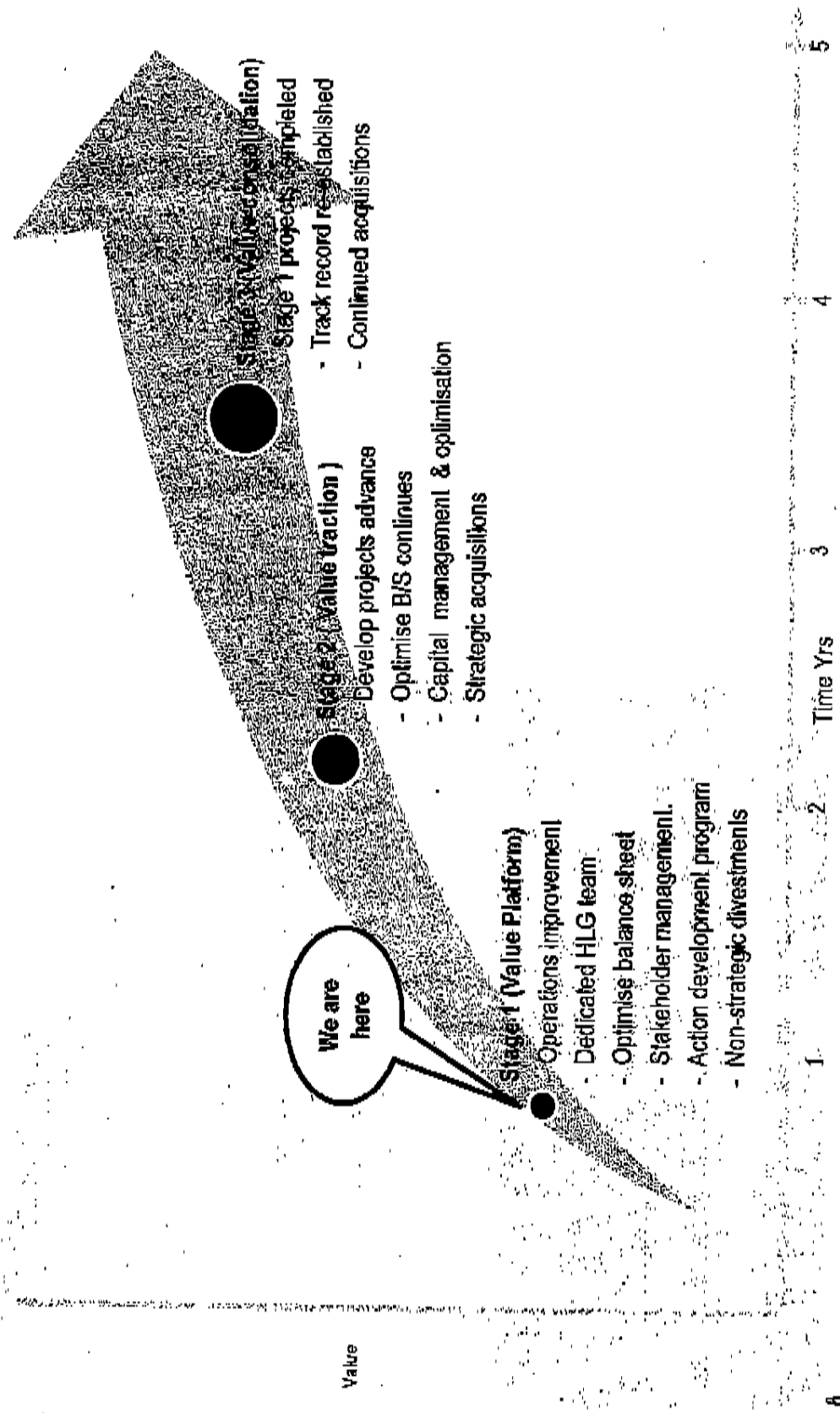
ROAD MAP STRATEGIES

The 5 Key Value Drivers strategies are;

1. Value optimisation of the Portfolio
2. Continued actions to improve the HLG operations
3. Enhance the value of HLG's Balance Sheet and P&L
4. Implement a 3-5 year development program i.e. 40+ projects
5. Continue to manage relationship with key stakeholders



THE ROAD MAP





PROGRESS ACHIEVED, MORE TO DO

Objective	Status/Outcome
Growth of national portfolio	Yes
Has a platform for growth	Yes
Support of Bankers	Yes
External factors affecting value	Yes
Development program actioned	Commenced
Consistency of lease covenant	Mixed
Dedicated & independent team	Partially

HLG'S STRATEGY CONTINUES TO BE

- A national hotel portfolio
- The portfolio to contain high quality tenants
- Redevelop quality assets/locations
- Operating profit & cash flow to meet and/or exceed IPO expectations
- Have a quality HLG team
- Have an effective/efficient governance structure
- Productive relationship with major tenants, financiers and other stakeholders



Tenants	Pubs	Self-serve shops	% of total EBIT
Weslarmers (Coles)	46	10	40.4%
NLG	31		44.4%
Hedz	10	1	10.1%
Other 1	3		2.6%
Retail tenancies			2.5%
Total	90	11	100%



HLG Strategy, Road Map & Initiatives

Peter Armstrong – Chief Operating Officer

**Welcome to the Annual General Meeting for
Hedley Leisure and Gaming Property Partners
Limited**

**Colin Henson
Chairman**

This presentation contains general information in relation to the Hedley Leisure & Gaming Property Fund (HLG) and does not contain any information which constitutes financial product advice for the purposes of the Corporations Act 2001 (Cth). This presentation has been prepared without taking account the objectives, financial situation or needs of any individual. Before making an investment decision about HLG persons should read the combined product disclosure statement and prospectus for HLG dated 25 June 2007 and all continuous disclosure materials lodged by HLG with ASX after that date which can be obtained from the ASX company announcements platform, carefully consider the risks of investment in HLG and obtain advice from an appropriate financial adviser. Nothing in this presentation constitutes an offer or invitation to invest in HLG.

**Welcome to the Annual General Meeting for
Hedley Leisure and Gaming Property Partners
Limited**

Colin Henson
Chairman

Hedley Leisure & Gaming Property Fund

AGM – 24 November, 2008

