

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.

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

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