



**CHAIRMAN'S SPEECH
COMPASS HOTEL GROUP LIMITED
COMPASS HOTEL GROUP TRUST**

**COMBINED GENERAL MEETING
MONDAY 30 NOVEMBER 2009**

Good Afternoon Ladies and Gentlemen

My name is Roland Hill and I am the Chairman of Compass Hotel Group Limited and I will be Chairing today's combined Annual General Meeting. I would like to extend a warm welcome to shareholders and guests present today.

I would like to start by introducing the Company's Directors and Officers.

- Robert Garton Smith – Non-executive Director of the Company since 7 September 2009 and Managing Director of the responsible entity, Primary Compass Ltd.

- Anne Thome – Non-executive Director of the Company since 7 September 2009 and Chairman of Primary Compass Ltd.

- Malcolm McLean – Group Financial Controller & Company Secretary since 31 August 2009

- Barbara Boyd–Company Secretary of Primary Compass Ltd

As for myself, I have been a Director since joining Compass Hotel Group Limited on 9 October 2007.

I would also like to introduce Antoine Musu who is the Chief Operating Officer of Compass Hotel Group Limited.

Before we move to the more formal business of today's meeting I would like to give you an overview of the Group performance and the outlook for the future. As the Company's activities and performance over the financial year have been adequately addressed in the Annual Report – I will confine the Chairman's remarks to a few general comments only.

Financial Results

With a backdrop of the Global Financial Crisis, Compass generated a net loss after tax in the 2009 financial year of \$99 million which is clearly disappointing for all stakeholders.

The financial result has four elements which impacted on the final result, being:

1. The valuations received from our licensed valuers on our portfolio of assets being hotels and taverns in Western Australia. These valuations showed a reduction in book value of \$25 million from the previous year due to softer yields displayed by the sector in general.
2. In December 2008 as reported in the half year accounts, we reviewed the carrying value of Goodwill. This review resulted in a write down of 29% on the fair value being \$58 million.
3. Due to the movement in interest rates by the Reserve bank of Australia the Groups hedging arrangements have exceeded the prevailing market rates resulting in a write down of \$9 million.
4. Excluding these amounts the Groups operating earnings before interest, tax, depreciation and amortization was \$4 million.

General operating

The Compass hotel portfolio currently consists of 12 freehold hotels and taverns – all are within the Perth metropolitan region and Mandurah. During the year, the operating lease on Cobblers Tavern, Falcon was terminated in January 2009 and Gosnells Railway Markets were sold in June 2009.

The profile of Compass businesses is made up of restaurant operations, bars and retail liquor sales in bottle shops. Group segment revenues are approximately 20% from food sales, 40% from bar sales and 40% from retail liquor sales. The group's compliment of employees across all categories is approximately 440 personnel.

The economic outlook for Australia was bright at the time our 2008/2009 budgets were set. Ultimately, there was a requirement to adjust our forecast in February 2009 as the GFC took full effect. Management adopted a prudent view in respect to the outlook and the impact that it would have on revenues and bottom line earnings and also took into consideration the limitations we would face in trying to grow revenues rapidly over the next 12 months.

On the whole however, most hotels have traded well at operating level in spite of a long period of lower discretionary spending and as a result have performed well against their individual budgets and, as that of a Group. This was largely as a result of a management restructure initiated in January 2009 followed by prompt implementation of effective and efficient management systems, procedures and reporting. These actions yielded positive results for the group by March/April 2009.

Some segments of our business continue to be unable to deliver fully on the forecast revenues as expected; however, an improvement in bottom line management and performance was achieved as a direct result of operating efficiencies allowing us to meet our earnings budgets.

Management continue to look at initiatives to maximise revenues. Our firmly established management and the operating philosophy adopted by the group means that we will continue to maximize earnings to a level of performance that is at par with industry operating benchmark performance.

Corporate

Coupled with a tough operating environment, Compass has also had to contend with a number of corporate distractions that, whilst to a large degree were not directly disruptive at operational level, have certainly contributed towards the current status of the listed Company.

Whilst the current corporate hiatus is not desirable by any stretch of the imagination, the situation and impact to the Company and the stakeholders is fully appreciated by the Board and senior management. To this end, we have used the time in suspension wisely and implemented a strategic initiative with the specific objective to transform Compass and to recover shareholder value.

The strategy initially provides for a recapitalizing of the Company in the most shareholder friendly method possible and to continue the support of our banking partners, St George to stabilise our balance sheet. On the corporate level a subsequent reconstitution of the Compass Board with a suitably qualified, knowledgeable hotel operating group that also has the capacity to establish the Groups long term strategic directions.

This process has been underway since the appointment of BBY as our corporate advisors in October 2009. We anticipate being able to provide some positive news to the market shortly.

Outlook for 2009/2010 and beyond

As outlined earlier, Compass along with its customers and its stakeholders have experienced one of the toughest economic and operating environments for many years, however based on the strategies put in place I am confident that we will continue to see improvements in our hotel and tavern operations this financial year.

Additionally, there are positive signs emerging that suggest that the worst is over despite the extent of the recovery being very difficult to predict. I believe that Compass and its shareholders will benefit greatly from the implementation of the strategic initiatives that are soon to be concluded. Compass will have the resources and the ability to consolidate its business and implement further initiatives to regain shareholder value.

The recent move of the Compass Head office from Sydney to Perth signals a deeper commitment and focus to our operations and our business. Compass will maintain our philosophy of having community-driven businesses each having their own immediate consumer markets. We are grateful to all our patrons who continue to see us as their local. I would also like to thank Antoine Musu the Groups Chief Operating Officer, the administration staff, and also our venue managers, operational staff, suppliers and all those who work with us in one form or another, who have shown great support and resilience in what has been a very challenging year.

R Hill
Chairman