Hedley Leisure & Gaming Property Fund

30 June 2009

Annual Report

HLG

HEDLEY LEISURE & GAMING PROPERTY FUND

Contents:

Chairman and CEO's Message

On behalf of the Hedley Leisure & Gaming Property Fund (HLG) it is our pleasure to provide the following report for the year ended 30 June 2009.

Overview

During FY2009 the Australian pub industry was adversely affected from the fallout from the global financial crisis, smoking bans and changes to the regulatory environment. The combined effect of those elements has resulted in the deterioration in value of some pubs in the HLG portfolio. However in recent months clear evidence has emerged that investment incentive is building. Many proactive publicans have taken steps necessary to overcome the difficulties caused by the introduction of smoking bans. The ideal of a pub as a meeting place and leisure centre is being restored.

With this renewed confidence in the future of the pub industry, investors seeking quality pubs are returning. In this regard, HLG is receiving an increasing number of enquiries from parties wishing to purchase pubs as single operations and some larger concerns have expressed interest in buying a number of pubs in one transaction. HLG will consider all possibilities in the interests of security holders.

In conclusion, HLG has a highly experienced and capable management team in place and is in a strong position to take advantage of the emerging industry stability and improvement in asset values.

Financial Year 2009 (FY2009) Overview

During FY2009 the difficulties caused by the turmoil in global financial markets has had a material adverse effect on the Fund's balance sheet. A decrease in property values and an accounting (non-cash) liability following the mark-to-market of the fixed interest rate swaps resulted in the value of the net assets of the Fund reducing by $175 million to $132 million. Despite these external influences, HLG's underlying profit from operations and cash-flow remain strong.

Key financial highlights and issues for FY2009:

- Total revenue of $107 million.
- Operating cash flow of $16.9 million.
- Underlying profit from operations of $8.2 million.
- Net loss of $179 million, including $93 million of property write downs and $86 million of interest rate swap write downs.
- A 100% tax deferred Interim Distribution of 4 cents per stapled security was paid from operating cash flow on 3 March 2009. No Final Distribution for FY2009 was declared.
- NTA per stapled security of $1.38 (before interest rate swap provision).
- A Loan to Value (LVR) ratio of 76.4% at 30 June 2009 as a result in the write down in property values. This is a breach of the LVR covenant of 75% in HLG's loan agreements with its bank syndicate, and gives the bank syndicate the right to require immediate repayment of the entire outstanding debt.

Key business/operational highlights for FY2009:

- Discussion with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010 until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is set to commence, with finalisation of the new loan agreements expected in the current half of FY 2010. That documentation will include a waiver of the LVR breach referred to above.
- The new loan agreements will include higher interest rates, restrictions on distributions and the requirement for HLG to significantly reduce it loan balances over the next three years. Completion of the loan facility extension should however provide security holders and potential investors greater certainty about the future viability of HLG.
- Rent and outgoings received in accordance with lease obligations.
- Average lease term of 16 years with fixed rent increases of an average 3.8% or $2.8 million pa.

Chairman and CEO's Message (continued)

Financial Year 2009 (FY2009) Overview (continued)

Key business/operational highlights for FY2009 (continued):

- 6 properties sold for $13.2 million.
- Development projects being negotiated through the concept and agreement for lease phase.
- Tom Hedley resigned as a director and Chief Executive Officer of HLG.
- Peter Armstrong was appointed Managing Director of the Company and Chief Executive Officer of HLG.
- David Charles joined HLG as Chief Financial Officer of HLG.

Highlights and issues since 30 June 2009

- On 1 July 2009 administrators were appointed to Hedz Pty Ltd, one of HLG's major tenants. This event constitutes a breach of certain provisions in the loan agreements with HLG's bank syndicate. As with the LVR breach, a waiver of this breach will be provided in the documentation of the new loan agreements.
- In the FY2009 accounts a provision was taken for $300,000 relating to rent and outgoings arrears associated with the Hedz Pty Ltd leases, however this amount is expected to be recovered by the end of October 2009. HLG is working with its legal advisors to ensure the impact on HLG resulting from Hedz Pty Ltd's receivership is minimised.
- On 27 July 2009 HLG announced the establishment of internal management within the Fund. Management services were previously provided by an external management company controlled by Mr Tom Hedley. In establishing internal management, HLG will achieve estimated cost savings of $2.7 million in FY10 and $22 million of savings over the life (8 years) of the previous management agreement.
- HLG has adopted a revised accounting policy for liquor and gaming licences following a recommendation from ASIC. HLG now records the and discloses liquor and gaming licences separately from investment property, carrying the licences at cost. The impact of this change is detailed in note 1 (c) (vi) of the financial statements.
- To assist in the delivery of the HLG plan, Colin Henson was appointed Executive Chairman of HLG effective 1 July 2009. In this position Mr Henson will work as part of the HLG management team to restore value in the interests of stapled security holders.
- Peter Armstrong's role was expanded to include Managing Director of HLG.
- HLG announced it will continue to use the Hedley name until the Annual General Meeting at which time HLG Security Holders will be invited to consider a name change for HLG.
- As mentioned above, negotiations on the terms of the loan facility extension have been completed and documentation of the new loan agreements is set to commence, with finalisation of the new loan agreements expected in the current half of 2010. Completion of the loan facility extension should however provide security holders and potential investors with greater surety about the future viability of HLG.

Annual General Meeting

HLG will hold its Annual General Meeting in Melbourne on 26 November 2009.

Yours faithfully

COLIN HENSON

Executive Chairman
Hedley Leisure & Gaming Property Partners Limited

Peter Armstrong

PETER ARMSTRONG

Chief Executive Officer and Managing Director
Hedley Leisure & Gaming Property Partners Limited

About HLG

Summary

Hedley Leisure & Gaming Property Fund (HLG) is a property fund listed on the Australian Securities Exchange ("ASX") (ASX code HLG). HLG consists primarily of the Hedley Leisure & Gaming Property Trust (the "Trust"), and Hedley Leisure & Gaming Property Partners Limited (the "Company"). The securities of the Trust and the Company are stapled together (to ensure that they are traded together as a single interest) and are quoted on the ASX. Permanent Investment Management Limited ("PIML") is the Responsible Entity (the "RE") of the Trust, and throughout the financial year HLG Management Pty Ltd was the manager of HLG, under services agreements with the RE and the Company.

At 30 June 2009 HLG consisted of 91 hotels, 12 bottle shops and 1 hotel development site. HLG's main business is that of a landlord, collecting rent from the tenants of its investment properties. The revenue stream is secured into the future with annual rental increases of between 3.75% and 4% and a weighted average remaining lease term of 16 years. HLG's main expenses are interest paid on its borrowings and interest rate hedging instruments, statutory outgoings relating to the investment property, and the management fees paid by HLG.

HLG's subsidiaries

The C.H. Trust (ABN 23 662 869 638) is a 100% subsidiary of the Trust. It holds the freehold of the Crown Hotel, Lutwyche.

Hedley Leisure & Gaming Property Services Limited (ACN 010 330 515) is the registered owner of the freehold properties held in the Trust.

HLG Issuer Finance Pty Ltd (ACN 126 818 059) is the holder of the loan obligations of the HLG group.

Fund management

During the financial year HLG was managed by HLG Management Pty Ltd, a company wholly owned by the founder of HLG, Tom Hedley. The management services provided were governed by service agreements in place between the Manager, the Responsible Entity and the Company. The Manager initiates and develops proposals, and submits proposals to the Investment Committee, comprising the directors of the Company for approval. The Manager then makes recommendations to the Responsible Entity.

Subsequent to the end of the financial year the Company, RE and Manager agreed to terminate the respective services agreements, and consequently the Company has established an internal management structure which simplifies HLG's management and reduces costs to HLG going forward.

Key Financial Data

	30 June 2009	30 June 2008
ASX closing price	$0.25	$0.64
Total stapled securities on issue	157.0 million	137.2 million
Distributions (cents per stapled security)	4.00	25.00
Annualised yield on ASX closing price	16%	39%
Tax deferred percentage	100%	30.74%
Total value of investment property portfolio (incl. licences) *	$962.4 million	$1,049.9 million
ALE securities	$7.1 million	$9.5 million
Cash, receivables and other assets	$12.2 million	$15.6 million
Total asset value	$981.6 million	$1,075.0 million
Net assets per stapled security	$0.84	$2.23
Remaining average lease duration of property portfolio	16.0 years	17.0 years
Management expense as percentage of total assets	0.33%	0.28%
Underlying profit from operations	$8.2 million	$9.2 million
Operating cashflow	$16.9 million	$20.8 million
Net cashflow	($0.6 million)	$11.0 million
Net profit (loss)	($178.7) million	($88.2) million

* Excludes investment properties held for sale at reporting date, and includes licences at their full value, not their cost. Refer note 16 to the financial statements.

Property Portfolio

Key statistics	30 June 2009	30 June 2008
Total pub and bottleshop freehold assets	$962 million	$1,050 million
Number of properties		
- Freehold pubs	91	92
- Freehold bottleshops	12	15
- Pub development sites	1	2
Total	104	109
Primary tenants	Coles, NLG, Hedz	Coles, NLG, Hedz
Number of gaming licences	2,703	2,864
Weighted average lease term	16 years	17 years

Tenants	Number of pubs and bottleshops	Location	% of rent contribution
Wesfarmers (Coles)	57	QLD, SA	42.0%
National Leisure & Gaming	32	QLD, NSW	45.6%
Hedz	14	QLD, NSW, SA, Vic	11.5%
Other	1	NSW	0.7%
Shops	-	various	0.2%

HLG

Pubs and bottleshops

Queensland

List of Properties
Pub Freeholds
Hotel Allen, North Ward
Anthill Hotel, Mareeba
Barrier Reef Hotel, Cairns
Barron River Hotel, Stratford
Berserker Hotel, Rockhampton
Bonny View Tavern, Bald Hills
Boomerang Motor Hotel, West Mackay
Bribie Island Hotel, Bellara
Brighton Hotel, Brighton
Bushland Beach Resort, Bushland Beach
Cairns Central (Sole), Cairns
Carrington Hotel, Atherton
Chancellors Tavern, Sippy Downs
Cleveland Sands Hotel, Cleveland
Club Hotel, Gladsone
Commonwealth Hotel, Innisfail
Coomera Lodge, Oxenford
Crown Hotel, Lutwyche
Dunwoody's Tavern, Cairns
Everton Park Hotel, Everton Park
Ferry Road Tavern, Southport
Finnigan's Chin, Cleveland
Finnigan's Chin Irish Pub, Kallangur
Fitzy's Hotel and Convention Centre, Loganholme
Fitzy's Waterford, Waterford
The Glades Tavern, Yamanto
Grafton Hotel, Edmonton
Hermit Park Hotel Motel, Townsville
Inala Hotel, Inala
Kings Beach Tavern
Kirra Beach Hotel, Kirra Beach
Kooyong Hotel, North Mackay
Leichhardt Hotel, Rockhampton
Lord Stanley Hotel, East Brisbane
Mansfield Hotel, Townsville
Mi Hi Tavern, Brassal
Mountain Creek Tavern, Mountain Creek
Palm Cove Tavern, Palm Cove
Regatta Hotel, Toowong
Royal Hotel, Townsville
Royal Mail Hotel, Tewantin
Shamrock Hotel, Mackay
Sundowner Hotel Motel, Caboolture
Tom's Tavern, Aitkenvale
Trinity Beach Hotel, Trinity Beach
Westcourt Tavern, Cairns
Wickham Hotel, Fortitude Valley
Woodpecker Bar & Grill, Burpengary
Bottleshops
Bayswater Road DBS, Townsville
Bella Vista DBS, Cairns
Bundock Street DBS, Townsville
Centenary Cellars DBS, Cairns
Coastwatchers DBS, Trinity Beach
Edge Hill DBS, Cairns
English Street DBS, Cairns
Kewarra Beach DBS, Cairns
Railway Estate DBS, Townsville
Southside DBS, Cairns
Woree DBS, Cairns
Yorkeys Knob DBS, Cairns
Pub Development Sites
Fairfield Waters Tavern Site, Idalia

The Everton Park Hotel, Everton Park . This family friendly hotel was fully renovated in 2005 and offers restaurant, gaming and accommodation facilities including a million dollar children's playcentre.

Tom's Tavern is located in close proximity to one of Townsville major shopping centre's. This venue opened in 2003 and comprises a pub, restaurant and 40 gaming machines.

Palm Cove Tavern, Palm Cove is situated in the most northern of Cairns suburbs. Surrounded by 5 star resorts and 6 star restaurants, in one of Cairns premier tourist locations this venue offers facilities including a pub, restaurant and 37 gaming machines.

Victoria & South Australia

The All Seasons Bendigo. Located in Central Victoria known as the Goldfields Region this multi award winning facility offers a gaming lounge with 100 gaming machines, TAB facilities, restaurant and bar, function rooms and 71 contemporary style motel rooms

List of Properties
Victoria
All Seasons Bendigo, Bendigo
South Australia
The Aussie Inn, Hackham
Brighton Metro Hotel
Grand Junction Tavern, Pennington
Payneham Tavern, Royston Park
Waterloo Station Hotel, Paralowie
Western Tavern, West Gambier

The Western Tavern, Mount Gambier. Situated in South Australia's largest provincial city, this hotel offers restaurant, accommodation facilities and a gaming lounge with 33 gaming machines.

New South Wales

List of Properties
Pub Freeholds
Bankstown Club Hotel, Bankstown
Brewhouse Belmore, Belmore
Brewhouse Doonside, Doonside
Bridge View Tavern, Willoughby
Bristol Arms Retro Hotel, Sydney
Cabramatta Club Hotel, Cabramatta
Campbelltown Club Hotel, Campbelltown
Canterbury Club Hotel, Canterbury
Commercial Hotel, Mullumbimby
Hotel Cremorne, Cremorne
Eastwood Hotel, Eastwood
El Cortez Hotel, Wakely
Heritage Hotel, Wilberforce
Keighery Hotel, Auburn
Kincumber Hotel, Kincumber
Kooringal Hotel, Wagga Wagga
Lakeview Hotel, Oak Flats
Leumeah Club Hotel, Leumeah
Lidcombe Hotel, Lidcombe
Livingstone Hotel, Petersham
Moonee Beach Tavern, Moonee Beach
Mount Annan Club Hotel, Mount Annan
Mt Druitt Cedars Tavern, Emerton
Ocean Shores Tavern, Ocean Shores
Plantation Hotel, Coffs Habour
Port Macquarie Hotel, Port Macquarie
Prospect Hotel, Prospect
Revesby Pacific Hotel, Revesby
Royal Hotel, Granville
Royal Hotel, Ryde
St Marys Hotel, St Marys
Tacking Point Tavern, Port Macquarie
Town Green Tavern, Port Macquarie
Wattle Grove Club Hotel, Wattle Grove
Willoughby Hotel, Willoughby

The Willoughby Hotel, Willoughby, NSW. This pub first opened its doors in 1899 and a major refurbishment was completed in 1999. Today the Willoughby is an iconic North Shore venue with three bars across two levels, state of the art TAB facilities, restaurants and function facilities.

Mount Annan Club Hotel. Located within the Western Sydney growth corridor this hotel well known for its family friendly atmosphere offers state of the art "platinum' TAB facilities, 29 gaming machine licences, restaurants and a bottle shop.

The Royal Hotel Ryde, Ryde. Situated in northern Sydney this established pub offers a licenced restaurant, tab facilities as well as 24 gaming machines.

Corporate Governance

Overview

Hedley Leisure & Gaming Property Fund (**HLG**) is a 'stapled' vehicle that combines a company, Hedley Leisure & Gaming Property Partners Limited (the **Company**) with a trust, Hedley Leisure & Gaming Property Trust (the **Trust**).

The Company is managed by a board of directors. The Trust is a managed investment scheme that is registered under the Corporations Act 2001. Permanent Investment Management Limited (**PIML**) is the responsible entity of the Trust and it is responsible for the overall corporate governance of the Trust. The directors of PIML, being the Responsible Entity (**RE**) of the Trust, together with the board of directors of the Company are accountable to the stapled security holders of HLG.

This section sets out a summary of the corporate governance principles of HLG and the extent to which HLG has followed the ASX recommendations during this financial year. Some areas of the ASX guidelines are not considered appropriate for HLG given the structure and size of HLG.

General

The Corporations Act 2001, ASX Listing Rules, Company Constitution, Trust Deed, Stapling Deed and general law regulate the operations of HLG and the responsibilities of the Company and the Responsible Entity and their officers.

The Company and the Responsible Entity have entered into a Stapling Deed which governs the co-operation between the entities in relation to the stapled securities and to achieve the common parameters of the Company and Trust. The common parameters include HLG's investment strategy, borrowings, distribution policy, financial reporting and compliance with relevant laws. Under the terms of the Stapling Deed, the Company and the Responsible Entity are obliged to notify and co-operate with each other in relation to the exchange of relevant information and coordination of the release of announcements to ASX.

Structure

During the financial year HLG delegated the day to day control of its assets and liabilities to HLG Management Pty Ltd (a member of the private group of companies controlled by Tom Hedley), to act as manager (**Manager**), under service agreements between HLG Management Pty Ltd and each of the Company and the Responsible Entity.

The Manager provides all investment, asset management and general administrative services to HLG, other than certain compliance matters under the control of the Responsible Entity. The Manager also advises the boards of the Company and the Responsible Entity on corporate governance and compliance matters. The Manager initiates and develops proposals, in particular proposals for investments and divestments for HLG, and submits the proposals to the Investment Committee for approval, and then makes recommendations to the Responsible Entity.

The directors of the Company, namely, Colin Henson (Executive Chairman), Peter Armstrong (Managing Director and CEO), Nerolie Withnall and Greg Kern, are the Investment Committee for HLG. The Investment Committee reviews the Manager's proposals for compliance with the law, the Trust Deed and Company Constitution, HLG's investment criteria, the service agreements and the interests of stapled security holders.

Effective from 1 July 2009, HLG terminated the service agreements with HLG Management Pty Ltd and established internal management within HLG. A wholly owned subsidiary of the Company, HLG Services Pty Limited now provides the same services as previously provided by the Manager under a new services agreement between HLG Services Pty Limited and the Responsible Entity. References to the Manager in the following section refer to HLG Management Pty Ltd until 30 June 2009 and to HLG Services Pty Limited from 1 July 2009.

ASX Corporate Governance Principles

Each of the respective Boards of the Company and PIML consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to HLG's security holders and other stakeholders.

As HLG is a 'stapled' vehicle that combines the Trust (a managed investment scheme) and Company which are listed on the Australian Securities Exchange (**ASX**), the ASX Listing Rules require the Company and PIML, as RE of the Trust, to include a statement in HLG's annual report disclosing the extent to which each has followed the ASX Corporate Governance Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Principles**).

Each of the Company and PIML, as RE of the Trust, address each of the ASX Principles below for the period from the beginning of the financial year to balance date. The Company and PIML, as RE of the Trust, comply with all of the recommendations in the ASX Principles, except as disclosed in this statement. This corporate governance statement is current as at the date of signing of the annual report.

Principle 1 – Lay solid foundations for management and oversight

The Constitutions of the Company and the Responsible Entity set out, among other things, the procedures for the appointment and removal of directors, requirements for board meetings and remuneration policy.

The Company has a formal board charter which sets out the functions and responsibilities reserved to the board and those delegated to the Chief Executive Office and board committees.

The Responsible Entity has a formal compliance plan for the Trust which sets out the monitoring and governance requirements. The Trust is audited annually by HLG's auditors for compliance with the plan.

PIML's Board, as RE of the Trust, is accountable to security holders and is responsible for the Trust's overall operation and administrative functions and through the Manager, regularly reviews performance and generally monitors the Trust's affairs in the best interest of security holders including:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to security holders, ASX and other regulators;
- overseeing the Manager;

- monitoring and responsibility for certain specialist external service providers to assist the RE from time to time in the proper, efficient and timely delivery of services;
- having a constitution that sets out amongst other things the appointment and removal procedures for the directors, meeting rules and requirements and disclosure procedure;
- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of the Trust's compliance plan and constitution;
- management of PIML reporting compliance matters relating to the Trust to the PIML Board and also to PIML's Audit, Risk & Compliance Committee - Managed Investment Schemes;
- Trust Company Limited, as the parent of PIML, providing executive directors (currently four) for PIML. Those directors along with internal management have the ongoing task of ensuring PIML complies with its obligations as RE of the Trust;
- ensuring all available relevant information in connection with the Trust are discussed at meetings of the PIML Board.

The management arrangements for HLG involving the Manager have been referred to above.

Principle 2 – Structure the board to add value

The Board of the Company does not satisfy the requirements of the ASX Principles that a board has a majority of independent directors and an independent chairman. The Board of the Company consists of four directors, two of whom are independent. The Chairman of the board is an executive director and his appointment is for an initial term of 3 years to assist management with the bank syndicate debt extension and other issues and the Board of the Company will address the board structure over the next 12 months.

PIML established its Audit, Risk and Compliance Committee - Managed Investment Schemes comprising a majority of external, independent members to act as the compliance committee of the Trust for the purposes of Part 5C of the Corporations Act 2001. Each of the members of this committee are external members for the purposes of the Corporations Act 2001.

Having regard to the size of the boards and the delegation of key functions to the Manager, the boards of the Company and PIML do not consider there is sufficient value in each board establishing a nomination committee, but will continue to monitor the position and may establish such committees in the future.

Each director has the right, at HLG's expense to seek independent professional advice in relation to the execution of their duties. In the case of the Company, prior approval of the Company Chairman will not be unreasonably withheld if required. Where appropriate, directors share such advice with other directors.

At present, Trust Company Limited, as the parent of PIML, provides executive directors (currently four) and all internal management for PIML. The chairman selection procedures, powers of the board, appointment, removal and remuneration of directors, board meeting requirements and other related matters are set out in PIML's constitution. New directors are fully briefed on the terms and conditions of their appointment by Trust Company Limited executives and undertake an induction program to familiarise themselves with PIML and its business operations.

The PIML Board is provided with regular reports on HLG's financial position, financial performance and business to allow the PIML Board to effectively fulfill its responsibilities. As each PIML director is a Trust Company executive, the Audit, Risk and Compliance Committee - Managed Investment Schemes comprising a majority of external members has been established as an external compliance committee of the Trust to meet the requirements of Chapter 5C of the Corporations Act. The independence of the external members meets the requirements of section 601JA(2) of the Corporations Act.

The identity and profiles of the directors of the Company and the directors of the RE can be found in section 1 of the Directors' Report.

Principle 3 – Promote ethical and responsible decision-making

The boards of the Company and the Responsible Entity have adopted Codes of Conduct designed to promote integrity, responsibility and accountability in the conduct of their respective businesses.

There are no common directors and no related party interests between the stapled entities which promotes independent decision making and minimises potential conflicts of interest.

Both boards have adopted various policies of employee and officer conduct including, in relation to related party transactions, compliance arrangements and insider trading.

PIML is committed to maintaining the highest standards of integrity and seeks to ensure all its RE activities in regards to the Trust are undertaken with efficiency, honesty and fairness. As a wholly owned subsidiary of Trust Company Limited, PIML, has adopted from that parent entity various policies and procedures in addition to an over-arching Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility and accountability and adherence to relevant legislation and apply to the directors and officers of PIML as a member of the Trust Company Group and as RE of the Trust.

Principle 4 – Safeguard integrity in financial reporting

Amongst other things, the Manager is responsible for preparing the half year and annual financial statements for HLG (including the Trust). These financial statements are audited by an appointed external auditor and reports are provided to each Board of PIML and the Company. The current auditor is KPMG. Internal management of PIML regularly meets with the external auditor to discuss the audit plan and the final audit report on the financial statements. The final audit report is tabled for the Board's consideration prior to financial statements being approved.

The Manager and the Company's internal management review the financial statements and provide formal statements to the Board confirming that HLG's financial reports present a true and fair view, in all material aspects, of HLG's financial condition and that operational results are in accordance with HLG's constitutions and relevant accounting standards. In addition, they confirm that the statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Manager makes available to HLG, the Chief Executive Officer and the Chief Financial Officer of HLG who provide written affirmation that, to the best of their knowledge and belief, the financial reports present a true and fair view, in all material respects, of HLG's financial condition and operational results and were in accordance with relevant accounting standards.

The Company has established an Audit, Risk and Compliance Committee of the Board to assist in the execution of its responsibilities and has adopted a formal Audit, Risk and Compliance Committee Charter which is reviewed annually. The majority of members of the Audit, Risk and Compliance Committee are independent directors. The responsible partner of HLG's external auditors attends all meetings of the Audit, Risk and Compliance Committee and receives the committee meeting papers.

The external auditor, KPMG has declared its independence to the boards through the Company's Audit, Risk and Compliance Committee and the provision of its independence declaration to the boards. The Audit, Risk and Compliance Committee has considered the question of auditor independence and is satisfied that there have been no contraventions of auditor independence requirements of the Corporations Act 2001.

Principle 5 – Make timely and balanced disclosure

The Company and the Responsible Entity have each adopted policies and procedures for timely disclosure of material information about HLG, in accordance with the ASX Listing Rules and the Corporations Act 2001.

The Company has adopted an external communications policy as recommended by the Manager. To give effect to the policy, and HLG's disclosure obligations, the Company and the Manager have formal procedures for dealing with potentially price sensitive information and the Responsible Entity also has such procedures in place. All releases to the ASX are also posted on the HLG website.

As a wholly owned subsidiary of Trust Company Limited, PIML has adopted from that parent entity continuous disclosure procedures to ensure the Trust's compliance with ASX Listing Rules and the Corporations Act. The Manager has agreed under the Services Agreement to ensure that the RE is in a position to comply with its continuous disclosure obligation. Service providers to HLG under outsourcing arrangements are required to adhere to the ASX Listing Rules in terms of continuous disclosure requirements and must report to PIML instances where a disclosure obligation is required. PIML, as the RE has procedures in place to monitor compliance with these requirements by outsourced service providers.

Principle 6 – Respect the rights of security holders

The Company and the Responsible Entity (via the Manager) are committed to providing timely and accurate information to stapled security holders.

HLG's external communication policy is designed to promote effective communication with, and best serve the interests of, investors through market disclosure, direct reporting to stapled security holders, open dialogue at general meetings and prompt responses to direct queries.

The responsible partner of the external auditors will attend the Annual General Meeting and will be available to answer investor questions about the conduct of the audit and the content of the auditor's report. The Chairman will also advise the stapled security holders of this at the start of the meeting.

PIML as RE is committed to providing timely and accurate information concerning the Trust to its security holders. The Annual Report of HLG together with the external auditor's report/opinion are sent to security holders each year. The Annual Report includes ASX Listing Rule disclosure requirements of PIML. Although registered schemes are not required to hold meetings of security holders, the constitution of HLG provides for such meetings if and when required.

Principle 7 – Recognise and manage risk

As Responsible Entity of the Trust, PIML values the importance of robust risk management systems and established an Audit, Risk & Compliance Committee - Managed Investment Schemes to support the compliance of the Trust with respect to its corporate governance and risk responsibilities.

PIML's Audit, Risk & Compliance Committee - Managed Investment Schemes:

- is comprised of a majority of external members skilled in the areas of audit, risk and compliance;
- is responsible for the oversight of risk management and internal control systems for PIML;
- reviews internal and external audit processes and monitors PIML's compliance with laws and regulations;
- meets regularly with the Trust Company Executive Team, senior management and external advisers and reports directly to the Trust Company Board.

PIML has a formal risk management program in place which has been adopted from its parent entity, Trust Company Limited. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

Trust Company Limited also maintains an independent internal audit team who report directly to Audit, Risk & Compliance Committee - Managed Investment Schemes and the PIML Board if necessary.

Under the Services Agreement the Manager is required to ensure that HLG is in a position to comply with the ASX Listing Rules and the Corporations Act.

To enhance management accountability, any written confirmation given by the CEO and CFO of the Manager and the Company to PIML contains a confirmation that the Company's risk management and external compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

As responsible entity of the Trust, PIML has a Remuneration Policy in place to maintain and attract talented and motivated directors and employees.

CORPORATE GOVERNANCE

The policies are designed to improve the performance of Trust Company Limited and its controlled entities. As Trust Company Limited is the parent of PIML it provides executive directors and internal management for PIML as RE. Directors and internal management of PIML are remunerated by Trust Company Limited and not by the Trust.

The independent directors of the Company are paid directors' fees as disclosed in the financial reports. In the reporting year, the Chairman received additional fees under clause 16 of the Company's constitution in relation to additional duties arising from proposals for HLG's future direction, including the sale of some of the assets of HLG. Those fees are also disclosed in the financial statements.

During the financial year, given that services to HLG were provided by the Manager under the service agreements, HLG has a detailed remuneration policy for HLG.

The Remuneration Committee for the Company has been established consisting of the two independent directors of the Company and has a formal charter.

From 1 July 2009, the actual costs, expenses and liabilities reasonably and properly incurred by the Manager in accordance with the budget approved by the Company from time to time in relation to the provision of management services by the Manager (including the salaries and costs of the CEO/ Managing Director and CFO of the Manager and the Company) are reimbursed by PIML, as RE of the Trust.

Directors' Report
(Permanent Investment Management Limited as Responsible Entity for Hedley Leisure & Gaming Property Fund)

The directors of Permanent Investment Management Limited ("PIML"), the Responsible Entity for the Hedley Leisure & Gaming Property Trust (the "Trust") present their report together with the financial report of the Hedley Leisure & Gaming Property Fund ("HLG") for the year ended 30 June 2009.

HLG comprises Hedley Leisure & Gaming Property Trust, Hedley Leisure & Gaming Property Partners Limited (the "Company") and their controlled entities. The units in the Trust and the shares in the Company are stapled and cannot be traded or dealt with separately. The stapled securities were first listed on the Australian Securities Exchange ("ASX") on 2 August 2007, under the code HLG.

1 Directors and officers

The Responsible Entity and the Company each entered into separate, but materially similar, services agreements with HLG Management Pty Ltd as trustee for HLG Services Trust (the "Manager"). The Manager provides all investment, asset management and general administrative services to HLG (other than certain compliance and supervisory services which are provided by the Responsible Entity). The Manager is also responsible for pursuing all acquisitions and any divestments.

Effective from 1 July 2009 HLG has established internal management within HLG with the creation of HLG Services Pty Limited (a wholly owned subsidiary of the Company) which will provide the same services as provided by the previous manager under a new services agreement between it and the Responsible Entity

HLG and the Manager have appointed an investment committee, which is comprised of the directors of the Company. The Investment Committee is an advisory committee, which liaises between the Manager and the Responsible Entity, and the Company and the Manager. The Investment Committee reviews the Manager's advice for compliance with the law, the Trust Deed and/or Trust Constitution, HLG's investment criteria, the services agreements and the interests of the security holders. Assuming compliance, the Responsible Entity and the Company must follow the Manager's advice.

The following persons were directors of the Responsible Entity at any time during or since the end of the year. Unless stated the directors have held their position for the whole of this period:

Name and position	Experience
John Atkin, BA (Hons), LLB (Hons)	Director since 27 January 2009
Director - Permanent Investment Management Limited, *Managing Director - Trust Company Ltd*	Mr Atkin joined Trust in January 2009 as Managing Director and Chief Executive Officer. Most recently John held the position as Managing Partner and Chief Executive Officer at Blake Dawson from 2002 to 2008. Prior to his position at Blake Dawson, John was a senior partner at Mallesons Stephens Jaques. During his time as a professional lawyer, John's work principally focused on equity capital markets and mergers and acquisitions. John is a director of the Australian Outward Bound Foundation.
Michael Britton BJuris, LLB, FCIS	Director since 11 July 2003
Director - Permanent Investment Management Limited, *General Manager Corporate Services - Trust Company Ltd*	Michael Britton has been with Trust Company Ltd for over 25 years. He has held a variety of management roles, initially in Estates & Trusts, but specialising for the last 22 years in providing fiduciary services for Funds Management Industry across a broad range of structures and asset classes with emphasis on Property and Infrastructure. Mr. Britton, a graduate of the University of New South Wales with degrees in Law and Jurisprudence, was admitted to practise as a solicitor in 1981. He is also a fellow of the Chartered Institute of Secretaries. Prior to joining Trust Company Ltd in 1983, Mr. Britton spent six years with Boral Limited.
Vicki Allen BBus, MBA, DFSFP	Director since 15 June 2007
Director - Permanent Investment Management Limited, *Chief Operating Officer - Trust Company Ltd*	Vicki joined Trust Company Ltd in January 2007 and holds a Bachelor of Business, University of Technology, Sydney; MBA, University of Melbourne; and a Diploma of Financial Planning. Vicki is currently Director of Trust Company Superannuation Services Limited, Trust Company International and Bridge Housing Limited. Prior to joining Trust Company Ltd Ms Allen worked at Lend Lease Corporation and National Australia Bank in a number of senior roles. The Institutional Services division comprises trustee and/or custodian services across the property and infrastructure asset classes in Australia and Singapore, securities and debenture issues and approved trustee services for corporate super and public offer funds.

1 Directors and officers (continued)

Name and position	Experience
David Grbin, BEc(Hons), CA *Director - Permanent Investment Management Limited*	Director since 22 July 2008 Mr Grbin joined Trust Company Ltd as a consultant in February 2008 before being appointed Executive General Manager for Finance, Legal, Risk and IT in July 2008. Mr Grbin is Trust Company Ltd's Chief Financial Officer and is also responsible for leading strategy and operations for the Legal, Risk and IT areas of the business. With more than eight years experience as CFO of a listed company, David has been responsible for increasing shareholder value and establishing key relationships with stakeholders in debt and equity capital markets. He has held a number of Financial and Commercial management positions with Adsteam Marine Limited, The Adelaide Steamship Company Limited and has worked as an auditor for Deloitte Touche Tohmatsu. David holds a Bachelor of Economics with Honours from the University of Adelaide and has been a member of the Institute of Chartered Accountants since 1989.
Jonathan Sweeney, BCom, LLB *Chairman - Permanent Investment Management Limited,* *Managing Director - Trust Company Ltd*	Resigned 31 December 2008
Eugene Quass, BCom, MCom *Director - Permanent Investment Management Limited,* *Executive General Manager, Financial Services – Trust Company Ltd*	Resigned 13 February 2009

Company Secretary

Adrian Lucchese – B. Sc (Hons) LLB, LLM *Secretary - Permanent Investment Management Limited* *Head of Legal, Corporate Solutions - Trust Company Ltd*	Appointed 10 December 2007 Adrian joined Trust Company Limited in 2007 and is responsible for all regulatory and compliance frameworks within Corporate Solutions. His role involves providing legal advice on all matters pertaining to managed investment schemes where PIML is the RE. Prior to joining Trust Company Limited, Adrian held positions as General Counsel and Company secretary for a number of publicly listed corporations. He has over 18 years experience as legal counsel and held the role as General Manager of Professional Standards at the FPA.

1 Directors and officers (continued)

Board of Directors of the Company and Members of the Investment Committee of HLG

Colin J Henson FCPA Dip Law (BAB), FCIS, FCIM, FAICD

Executive Chairman

Colin Henson's career exceeds 35 years in senior corporate positions with most of the last 20 years in fixed term company reconstruction roles. He has been involved in a range of industries including brewing; hotel; wine; oil and mineral drilling contracting; electronics; food additives; health services; business solutions; technology; bulk handling and complementary medicines.

In addition to his involvement in HLG, Colin is currently the Non-Executive Chairman of Videlli Limited and Non-Executive Chairman of BHA Holdings Pty Ltd.

Colin was appointed as a director of Hedley Leisure & Gaming Property Partners Limited on 25 June 2007.

Nerolie Withnall BA, LLB, FAICD

Non-Executive Director

Nerolie is a director of Campbell Brothers Group, PanAust Limited, Computershare Limited and Alchemia Limited (all listed on the ASX).

Nerolie is deputy president of the Takeovers Panel,a member of the Senate of the University of Queensland and of the Corporations and Markets Advisory Committee.

Nerolie was appointed as a director of Hedley Leisure & Gaming Property Partners Limited on 25 June 2007.

Greg Kern BCom, CA, IPA, MIIA(Aust), MAICD

Non-Executive Director

Greg is the Managing Director of Kern Consulting Group, a corporate advisory firm based in Queensland.

Greg is a Chartered Accountant, a registered company auditor, a member of the Institute of Internal Auditors and the Australian Institute of Company Directors.

Greg is currently a Non-Executive Director of Early Learning Services Limited.

Greg was appointed as a director of Hedley Leisure & Gaming Property Partners Limited on 3 April 2007.

Peter Armstrong MBA, Dip. Mgmt Studies

Executive Director

Peter Armstrong has extensive experience and a successful track record in senior management, hotel management, business acquisitions, property development, supply chain management and general business management.

His most recent position prior to HLG was as General Manager of Hotels in the Coles Liquor Group Division where Peter grew the business from 23 hotels to approximately 100 hotels plus in excess of 225 retail outlets. Peter has industry experience in the office supplies, general merchandise & apparel, building & property development, food, hospitality and general retail sectors.

Peter was appointed as a director of Hedley Leisure & Gaming Property Partners Limited on 5 February 2009.

Board of Directors of the Company & Members of the Investment Committee of HLG

Hedley Leisure & Gaming Property Fund
DIRECTORS' REPORT
For The Year Ended 30 June 2009

1 Directors and officers (continued)

Chief Financial Officer

David Charles, B.Ec, CA Appointed 1 April 2009

David Charles is an experienced Chartered Accountant with 20 years experience in the accounting and audit, financial services, aviation and retail sectors. David commenced his career with Touche Ross in 1989 and has held senior positions in a number of large companies including Citibank in London, Ansett Australia, ANZ Bank and the Spotless Group. Immediately prior to joining HLG as Chief Financial Officer David spent 5 years with the Coles Group including 4 years within the Liquor and Hotels division in senior Finance and Business Management roles.

Company secretary

Russell Daly – Secretary Hedley Leisure & Gaming Property Partners Limited Appointed 3 April 2007

Mr Russell Daly is a CPA and a senior manager at the Kern Consulting Group, Cairns.

Investment Committee meetings:

An Investment Committee (comprising the directors of the Company) reviews the Manager's investment proposals and makes recommendations to the Responsible Entity. The number of committee meetings attended by each member of the committee during the financial year were:

	Number of meetings attended	Number of meetings eligible to attend
Colin Henson	16	16
Nerolie Withnall	16	16
Greg Kern	16	16
Peter Armstrong (appointed 5 February 2009)	7	7
Thomas Hedley (resigned 23 June 2009)	13	14
Stephen Donnelly (resigned as director on 5 February 2009)	9	9

Details in respect of the meetings of the directors of the Company and other committees are set out in the Company's directors' report for the year ended 30 June 2009.

2 Principal activities

The principal activity of HLG consists of investment in the pub freehold sector. There has been no significant change in the nature of these activities during the financial year.

3 Significant changes in state of affairs

During the 2009 financial year the financial position of HLG, like most companies was impacted by the Global Financial Crisis (the "GFC"). The most significant impacts of the GFC on HLG have been on the value of investment properties, which have been written down by a further $73m, licences, which have been written down by $20m, and on the mark-to-market valuation of the hedge position (interest rate swaps) which have been written down by $86m. Each of these write downs are non-cash adjustments in accordance with Accounting Standards, and notionally reflect changes to the value of these items as at 30 June 2009.

With respect to the interest rate swap position, the valuation of these instruments is dependent largely on the expected future level of interest rates. Market rates have been highly volatile, with the market initially predicting a sustained period of low interest rates, thus causing large falls in the value of HLG's swap positions at 31 December 2008. Changing market sentiment and a shift in expectations toward a future of higher interest rates has caused the value of HLG's swap positions to rebound significantly at 30 June 2009, and with markets continuing to upwardly revise expectations of future interest rates, HLG expects that the value of these instruments will continue to improve.

HLG's debt facilities are subject to a number of covenants. On 1 July 2009 administrators were appointed to Hedz Pty Ltd, one of HLG's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of the loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratios (LVR) requirements under the existing facilities were breached at 30 June 2009. At 30 June 2009, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches resulted in the bank syndicate having the right to require immediate repayment of the entire outstanding debt which would also result in the need to pay out any balance due at the time on the interest rate swaps. To date, the bank syndicate has not waived the breaches, but has also given no indication that it will exercise its right under the loan agreements. Accordingly, 100% of the debt facility and the interest rate swaps have been reclassified as current at 30 June 2009.

There were no other significant changes in the state of affairs of HLG prior to 30 June 2009.

4 After balance date events

Post balance date events and developments include:

(a) Internalisation of operational management

Effective from 1 July 2009 HLG terminated the services agreement with HLG Management Pty Ltd (the "Manager") and established internal management within HLG with the creation of HLG Services Pty Limited (a wholly owned subsidiary of the Company) which will provide the same services as provided by the previous manager under a new services agreement with the Responsible Entity.

The previous manager provided transitional services during July 2009.

(b) Extension of facilities

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

5 Likely developments

In accordance with HLG's lease agreements for its investment properties HLG will receive fixed rate rental increases from its tenants. As indicated at item 4 (b) HLG is in discussions with its bank syndicate with respect to extending its debt facilities. Although an extension should provide greater future surety, it will involve a higher interest cost, restrictions on distributions and significant debt reduction requirements. The directors are not aware of any other future developments likely to materially affect the results of HLG.

6 Distributions

For the year ended 30 June 2009, HLG made the following distributions:

	Cents per security	$'000
Half year distribution paid on 3 March 2009	4.00	6,106
Total distribution for the year ended 30 June 2009	**4.00**	**6,106**

7 Review and results of operations

Throughout 2009 HLG maintained its strategy of investing in pub freehold properties, collecting rent from its tenants and paying interest on its bank loans.

There was minimal movement in the property portfolio of HLG during the year, with the divestment of 5 properties for a total of $13.2m which was used to repay borrowings. One property was acquired during the year for $750,000, being a parcel of land adjacent to the Kooyong Hotel in Mackay.

The impact of the Global Financial Crisis on HLG's normal operations as landlord of pubs and other properties has been negligible. However the prevailing uncertainty has reduced demand for hotel properties resulting in reductions in the balance sheet valuations of the fund's investment properties of $73m and licences of $20m. HLG was also severely affected by the recognition required in respect of the interest rate swap instruments entered into to hedge HLG's interest rate risk, which have reduced in value by $86 m.

The event of receivership of a significant tenant of HLG on 1 July 2009 has caused HLG to take a provision against the rent and outgoings arrears of that tenant in the order of $300,000 in the financial year. HLG is confident however that it shall recover this amount

The underlying profit from operations for HLG for the year is shown below;

	2009 $'000	2008 $'000
Rent from investment property	79,724	73,113
Other income (including straight-line lease adjustment)	27,899	37,337
Total income	107,623	110,450
Finance costs	58,796	58,138
Management costs	3,159	3,025
Fair value adjustments to investment properties	73,116	85,487
Fair value adjustments to derivative financial instruments	86,212	(20,620)
Loss of sale of investment properties and licences	1,101	21
Impairment of assets	26,458	32,438
Other costs (including straight-line lease adjustment)	37,455	40,134
Total costs	286,297	198,623
Net profit (loss)	(178,674)	(88,173)
Add back		
Fair value adjustments to investment properties	73,116	85,487
Fair value adjustments to derivative financial instruments	86,212	(20,620)
Loss on sale of investment properties and licences	1,101	21
Impairment of assets	26,458	32,438
Underlying profit from operations	8,213	9,153

8 Interests of the Responsible Entity

Permanent Investment Management Limited (the "Responsible Entity"), held no stapled securities or options in the Hedley Leisure & Gaming Property Fund during or since the end of the financial year.

9 Remuneration report

The remuneration report includes the following details:

9.1 Principles of remuneration

9.2 Manager's fees

9.3 Trustee's fees

9.1 Principles of remuneration

No fees or benefits are payable to the directors of the Responsible Entity. Those directors are employees of Trust Company Limited. The structure of Responsible Entity fees and fees paid during the year are set out below.

The Company Constitution provides that the non-executive directors of the Company are entitled to remuneration not exceeding an aggregate maximum sum of $600,000 per annum or such other maximum amount determined by the Company in a general meeting. The aggregate sum will be divided among the non-executive directors of the Company in such manner and proportion as agreed by the directors of the Company and, in default of agreement, equally.

The Company Constitution provides that the remuneration of an executive director will be determined by the directors. Remuneration may be by way of salary or participation in profits, but may not be by commission or a percentage of operating revenue. The executive directors of the Company will not receive directors' fees from the Company. The structure of the Manager's fees and actual fees paid during the financial year as well as details of the remuneration of non-executive directors are set out below.

Except in circumstances prohibited by the *Corporations Act 2001*, the Company may pay a premium for a contract insuring a director against liability incurred by the person as a director. The directors may also be paid out of pocket expenses properly incurred by them in connection with the Company's business.

9.2 Manager's fees

Until 30 June 2009, the Manager was HLG Management Pty Ltd as trustee for HLG Services Trust (the "Manager"), a wholly owned subsidiary of TWH (Qld) Pty Ltd. In accordance with the services agreement between the Manager, the Company and the Responsible Entity the Manager was entitled to the following fees:

Base fee

A base fee of 0.30% per annum (exclusive of GST) of the gross value of HLG's assets. The base fee is calculated monthly and payable half-yearly.

Performance fee

A performance fee of up to 0.25% of the gross value of HLG's assets based on the percentage by which the accumulated return on the stapled securities exceeds the performance of the S&P/ASX 200 Property Trust Accumulation Index for the corresponding period.

Transaction fee

Additionally the Manager was entitled to a transaction fee of 1.00% of the purchase price on completion of real property acquisitions. These are accounted for as part of the acquisition cost of the property. The transaction fee is payable upon completion of the acquisition.

All Manager's fees are payable in HLG stapled securities for the first two years after listing.

Manager's fees paid during the year as shown in the income statement were as follows:

	CONSOLIDATED		PARENT ENTITY	
	Fee $	Stapled securities issued to Manager	Fee $	Stapled securities issued to Manager
Half year total fees 31 December 2008	1,593,520	3,528,018	1,593,520	3,528,018
Half year total fees 30 June 2009	1,565,588	-	1,565,588	-
Total fees for the year	**3,159,108**	**3,528,018**	**3,159,108**	**3,528,018**

9 Remuneration report (continued)

9.3 Trustee's fees

The Responsible Entity is entitled under the Trust Constitution to a management fee of 2% per annum of the net value of the Trust's property for so long as it is the Responsible Entity of the Trust. While the service agreements remain in place, the Responsible Entity will waive its right to this full fee and instead accept $250,000 per annum plus 0.015% per annum of the net value of Trust property between $1.2 billion and $1.5 billion. The fee payable where the net value of Trust property exceeds $1.5 billion will be as agreed between the parties. This amount is paid in cash to the Responsible Entity monthly in arrears from the assets of the Trust. Should the Responsible Entity be removed as Responsible Entity within 2 years of its appointment, the Company must pay the Responsible Entity $500,000 less the fees previously paid to the Responsible Entity, as described above.

Fees paid to the Responsible Entity as shown in the income statement:

	CONSOLIDATED $	PARENT ENTITY $
Responsible Entity fees	257,189	257,189

The Responsible Entity did not hold any stapled securities in HLG at any time during or since the end of the financial year.

10 Environmental issues

HLG's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

11 Insurance of officers

Indemnification

Under the Trust's Constitution the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in performing or exercising any of its powers, duties or rights in relation to the Trust.

Under the Company's Constitution, current and former directors and secretaries are indemnified to the extent permitted by law and subject to restrictions in section 199A of the *Corporations Act 2001* for any liability incurred by that person as an officer of the Company and any reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

Under the services agreements the Trust and the Company indemnify the Manager for any liabilities, direct losses and other amounts suffered or incurred by the Manager, its related bodies corporate or any of their respective officers, employees or agents or any other person engaged or appointed by the Manager in exercising the Manager's powers or performing the Manager's duties under the services agreements.

The auditors of HLG are in no way indemnified out of HLG's assets.

Insurance premiums

During the financial year the Trust paid a premium of $ 54,625 to insure the directors and officers of the Company.

12 Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

13 Rounding of amounts

The Trust is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors of Permanent Investment Management Limited.

Michael John Britton

Director (Permanent Investment Management Limited)

Dated this the 29th day of September 2009

Sydney

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the *Corporations Act 2001* to the directors of Permanent Investment Management Limited, the Responsible Entity for the Hedley Leisure & Gaming Property Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of the Hedley Leisure & Gaming Property Fund for the financial year ended 30 June 2009 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Graham Coonan

Partner

Cairns

29 September 2009

Hedley Leisure & Gaming Property Fund Financial Statements

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Hedley Leisure & Gaming Property Fund

CONSOLIDATED INCOME STATEMENTS

For The Year Ended 30 June 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 - Restated $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 - Restated $'000
REVENUE					
Rent from investment properties		74,519	68,887	72,630	67,104
Outgoings recovered		5,205	4,226	5,127	4,138
Distributions	3	968	3,945	2,195	5,623
Straight - line lease adjustment		26,682	27,820	26,368	27,854
Interest from cash deposits		249	235	246	232
Total revenue		107,623	105,113	106,566	104,951
OTHER INCOME					
Gain on disposal of investments		-	5,337	-	5,182
Total other income		-	5,337	-	5,182
Total revenue and other income		107,623	110,450	106,566	110,133
OPERATING EXPENSES					
Investment property outgoings and expenses		7,107	5,906	6,929	5,753
Manager's fees	4	3,159	3,025	3,159	3,025
Directors' remuneration	30	389	271	-	-
Finance costs	5	58,796	58,138	58,794	58,136
Other property acquisition costs		123	2,990	123	2,990
Other expenses	8	3,131	3,089	3,239	3,299
NON OPERATING EXPENSES					
Fair value write down of investment properties	16	73,116	85,487	73,927	84,947
Impact of straight-line lease adjustment on fair value of investment properties	16	26,682	27,820	26,368	27,854
Fair value adjustments to derivative financial instruments		86,212	(20,620)	86,212	(20,620)
Loss on sale of investment properties and licences	6	1,101	21	1,101	21
Impairment of assets	7	26,458	32,438	26,576	32,320
Total expenses		286,274	198,565	286,428	197,725
Loss before income tax		(178,651)	(88,115)	(179,862)	(87,592)
Income tax expense	9	23	58	-	-
Loss attributable to stapled security holders		(178,674)	(88,173)	(179,862)	(87,592)
Attributable to:					
Unitholders of the Trust		(178,456)	(88,252)	(179,862)	(87,592)
Shareholders of the Company (minority interest)		(218)	79	-	-
		(178,674)	(88,173)	(179,862)	(87,592)

		cents	cents
Basic and diluted earnings/(loss) per security	10	(118.12)	(72.41)
Distribution paid or payable per security		4.00	25.00

The above consolidated income statements should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Fund
CONSOLIDATED BALANCE SHEETS
For The Year Ended 30 June 2009

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	10,258	10,862	9,514	10,269
Trade and other receivables	12	1,853	4,104	26,074	29,753
Derivative financial instruments	25	-	1,817	-	1,817
Other current assets	13	40	593	40	593
Non current assets held for sale	14	-	15,918	-	15,918
Total current assets		12,151	33,294	35,628	58,350
Non-current assets					
Property, plant and equipment	15	-	600	-	600
Investment property	16	743,494	839,808	720,439	817,250
Other non-current assets	17	65,437	42,095	64,770	41,739
Intangible assets	18	134,143	152,848	132,247	149,733
Other investments	19	7,100	9,521	9,100	11,521
Total non-current assets		950,174	1,044,872	926,556	1,020,843
TOTAL ASSETS		962,325	1,078,166	962,184	1,079,193
LIABILITIES					
Current liabilities					
Trade and other payables	20	5,609	8,779	5,575	8,744
Current tax payables	21	23	58	-	-
Loans and borrowings	23	740,752	16,010	740,752	16,010
Distribution payable	22	-	16,467	-	16,467
Derivative financial instruments	25	84,395	-	84,395	-
Total current liabilities		830,779	41,314	830,722	41,221
Non-current liabilities					
Loans and borrowings	23	-	730,275	-	730,275
Total non-current liabilities		-	730,275	-	730,275
TOTAL LIABILITIES		830,779	771,589	830,722	771,496
NET ASSETS		131,546	306,577	131,462	307,697

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Fund

CONSOLIDATED BALANCE SHEETS (CONTINUED)

For The Year Ended 30 June 2009

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000
EQUITY					
Contributed equity	24	459,965	450,231	459,965	450,231
(Deficiency)/undistributed earnings		(328,567)	(144,006)	(328,565)	(142,596)
Minority Interest		86	290	-	-
Reserves	26	62	62	62	62
TOTAL EQUITY		131,546	306,577	131,462	307,697

	$	$
Net assets per stapled security	0.84	2.23

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Fund

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 30 June 2009

	Note	Contributed Equity $'000	Undistributed Earnings $'000	Reserves $'000	Minority Interest $'000	Total $'000
CONSOLIDATED						
Balance at 1 July 2008		450,231	(144,006)	62	290	306,577
Loss for the year		-	(178,456)	-	(218)	(178,674)
Distributions paid or payable	22	-	(6,105)	-	-	(6,105)
Adjustments to founder's securities cost base	24	(468)	-	-	-	(468)
Stapled securities issued during the year	24	10,226	-	-	14	10,240
Capital raising costs recognised directly against capital raised	24	(24)	-	-	-	(24)
Balance at 30 June 2009		459,965	(328,567)	62	86	131,546
CONSOLIDATED - Restated						
Balance at 1 July 2007		277,957	(1)	8,782	(114)	286,624
Adjustment due to change in accounting policy	1 (c) (vi)	-	(22,460)	-	-	(22,460)
Balance at 1 July 2007 restated		277,957	(22,461)	8,782	(114)	264,164
Loss for the year		-	(88,252)	-	79	(88,173)
Distributions paid or payable	22	-	(33,293)	-	-	(33,293)
Adjustments to founder's securities cost base	24	(45,035)	-	-	-	(45,035)
Stapled securities issued during the year	24	226,823	-	-	325	227,148
Capital raising costs recognised directly against capital raised	24	(9,514)	-	-	-	(9,514)
Net change in fair value of available-for-sale financial instruments	26	-	-	(8,720)	-	(8,720)
Balance at 30 June 2008		450,231	(144,006)	62	290	306,577

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes

Hedley Leisure & Gaming Property Fund

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For The Year Ended 30 June 2009

	Note	Contributed Equity $'000	Undistributed Earnings $'000	Reserves $'000	Total $'000
PARENT					
Balance at 1 July 2008		450,231	(142,596)	62	307,697
Loss for the year		-	(179,862)	-	(179,862)
Distributions paid or payable	22	-	(6,107)	-	(6,107)
Adjustments to founder's securities cost base	24	(468)	-	-	(468)
Units issued during the year	24	10,226	-	-	10,226
Capital raising costs recognised directly against capital raised	24	(24)	-	-	(24)
Balance at 30 June 2009		459,965	(328,565)	62	131,462
PARENT - Restated					
Balance at 1 July 2007		277,957	-	8,782	286,739
Adjustment due to change in accounting policy	1 (c) (vi)	-	(21,710)	-	(21,710)
Balance at 1 July 2007 restated		277,957	(21,710)	8,782	265,029
Loss for the year		-	(87,592)	-	(87,592)
Distributions paid or payable	22	-	(33,294)	-	(33,294)
Adjustments to founder's securities cost base	24	(45,035)	-	-	(45,035)
Units issued during the year	24	226,823	-	-	226,823
Capital raising costs recognised directly against capital raised	24	(9,514)	-	-	(9,514)
Net change in fair value of available-for-sale financial instruments	26	-	-	(8,720)	(8,720)
Balance at 30 June 2008		450,231	(142,596)	62	307,697

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes

Hedley Leisure & Gaming Property Fund
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended 30 June 2009

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Rent and outgoings from investment properties (GST inclusive)		85,071	82,713	82,895	80,323
Payments to suppliers		(16,261)	(16,347)	(14,232)	(14,340)
ALE Property Group distributions		3,888	3,401	3,888	3,401
Interest receipts – bank deposits		249	235	245	232
Interest paid		(58,528)	(59,840)	(58,528)	(59,838)
Receipts from interest rate swaps		2,493	10,680	2,493	10,680
Net cash from operating activities	32	16,912	20,842	16,761	20,458
Cash flows from investing activities					
Payments for investment properties		(825)	(355,757)	(825)	(355,757)
Payments for licences		-	(63,647)	-	(63,647)
Payments for land and buildings		-	(600)	-	(600)
Proceeds from disposal of investment properties		11,663	2,039	11,663	2,039
Proceeds from disposal of licences		1,612	-	1,612	-
Payment for investment property refurbishments		(553)	-	(553)	-
Payment for contract terminations		(4,080)	-	(4,080)	-
Proceeds from disposal of development deed properties		1,701	-	1,701	-
Payment of development deed properties to developer		(1,701)	-	(1,701)	-
Payment for ALE Property Group securities		-	(3,694)	-	(3,694)
Unauthorised payment to Manager	30	(1,144)	-	(1,144)	-
Proceeds from unauthorised payment	30	1,144	-	1,144	-
Proceeds from sale of available-for-sale financial assets		-	57,037	-	57,037
Payment for intangible assets		-	(1,337)	-	(1,492)
Net cash from investing activities		7,817	(365,959)	7,817	(366,114)
Cash flows from financing activities					
Proceeds from issue of stapled securities		-	138,302	-	138,302
Payment of borrowing establishment costs		-	(10,155)	-	(10,155)
Payment of distribution		(15,728)	(4,415)	(15,728)	(4,415)
Payment of capital raising costs		-	(7,951)	-	(7,951)
Proceeds from borrowings		277	847,391	277	847,391
Repayment of borrowings		(9,882)	(652,733)	(9,882)	(652,733)
Proceeds from disposal of derivative financial instruments		-	45,700	-	45,700
Net cash from financing activities		(25,333)	356,139	(25,333)	356,139
Net increase/(decrease) in cash held		(604)	11,022	(755)	10,483
Cash and cash equivalents at the beginning of the year		10,862	(160)	10,269	(214)
Cash and cash equivalents at the end of the year	11	10,258	10,862	9,514	10,269

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 1 Summary of significant accounting policies

(a) Reporting entity

The consolidated financial report of Hedley Leisure & Gaming Property Fund ("HLG") as at and for the year ended 30 June 2009 comprises Hedley Leisure & Gaming Property Trust (the "Trust"), Hedley Leisure & Gaming Property Partners Limited (the "Company") and their controlled entities. Hedley Leisure & Gaming Property Trust is a registered managed investment scheme under the *Corporations Act 2001*. Hedley Leisure & Gaming Property Partners Limited is a company limited by shares under the *Corporations Act 2001*. The responsible entity of the Trust is Permanent Investment Management Limited (the "Responsible Entity").

The units of the Trust and the shares of the Company are stapled such that the units and shares cannot be traded separately.

(b) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of HLG and the financial report of the Trust comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the directors of the Responsible Entity on 29 September 2009.

(c) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to all controlled entities.

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property, including investment property held for sale at reporting date, is measured at fair value

The methods used to measure fair values are discussed further within the relevant notes.

(ii) Going concern

The financial statements have been prepared on a going concern basis but the following issues should be noted.

Breach of loan covenants

HLG's and the parent's debt facilities are subject to a number of covenants and conditions. On 1 July 2009, administrators were appointed to Hedz Pty Ltd, one of HLG's and the parent's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratio ("LVR") requirements under the existing debt facilities were breached at 30 June 2009. At that date, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches resulted in the bank syndicate having the right to require immediate repayment of the entire outstanding debt which would also result in the need to close out the interest rate swaps. To date, although the bank syndicate has given no indication that it will exercise its rights under the loan agreements in this regard, it has not waived the breaches.

Accordingly, the full amounts owing at 30 June 2009 under the debt facilities and the interest rate swaps have been reclassified as current liabilities at that date. This has resulted in the consolidated entity and the parent having an excess of current liabilities over current assets as at 30 June 2009 of $818.6m and $795.1m respectively. The ability of the consolidated entity and the parent to pay their debts as and when they fall due, and hence to continue as going concerns, is dependent upon the continued support of the financiers.

Possible extension of debt facilities

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

Dependence on support of bank syndicate

As Manager of HLG, HLG Services Pty Limited is confident that it is taking all appropriate measures and that it has the support of its bank syndicate. There is significant risk that if negotiations with its bank syndicate are unsuccessful and/or if refinancing does not occur prior to the expiry of the current debt facilities in August 2010, repayment of those facilities may be required. In this event, it would be unlikely that HLG could continue as a going concern, impacting HLG's ability to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial report.

In the circumstances, no adjustments have been made in the financial report as at and for the year ended 30 June 2009 in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Trust and/or the consolidated entity not continue as a going concern.

Note 1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

(iii) Functional currency

The financial report is presented in Australian dollars, which is HLG's functional currency.

(iv) Rounding of amounts

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying HLG's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 16 - investment property, note 18 - intangible assets and note 31 - financial instruments.

(vi) Change in accounting policy

Liquor and gaming licences are now recognised separately from investment properties as intangible assets and measured at cost. Liquor and gaming licences have been assessed as having indefinite useful lives and are not amortised but are tested for impairment each reporting period. Previously liquor and gaming licences were included in investment properties and measured using the fair value model, with all gains and losses arising from changes in fair values of the investment property recognised in the income period in which they arose. The change in accounting policy recognises the different risks attached to intangible assets and investment property.

This change in accounting policy has been recognised retrospectively and comparatives have been restated. The change in accounting policy had the following impact on the financial statements:

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income statement				
Increase/(decrease) in fair value write down of investment properties	(20,066)	(17,312)	(20,156)	(17,252)
Increase/(decrease) in loss on sale of investment properties and licences	(10)	-	(10)	-
Decrease/(increase) in distributions	-	-	779	
Increase/(decrease) in impairment of assets	19,528	14,720	19,646	14,602
Increase/(decrease) in loss attributable to stapled security holders	(548)	(2,592)	259	(2,650)
Balance sheet				
Increase/(decrease) in non – current assets held for sale	-	(92)	-	(92)
Increase/(decrease) in investment property	(153,463)	(171,287)	(150,787)	(168,701)
Increase/(decrease) in trade and other receivables	-	-	(779)	-
Increase/(decrease) in intangible assets	134,143	151,511	132,247	149,733
Increase/(decrease) in net assets/equity	(19,320)	(19,868)	(19,319)	(19,060)

The adjustment to retained earnings at 1 July 2007 was a decrease of $22.460m for HLG and $21.710m for the parent. The change in accounting policy increased / (reduced) the basic and diluted loss per stapled security by 21.58 cents for 2009 and (2.13) cents for 2008.

The adjustment to retained earnings in C.H. Trust, the wholly owned subsidiary of the Trust, at 1 July 2007 and a further adjustment at 30 June 2008, resulted in C.H. Trust having an excess of liabilities over assets at 30 June 2008. Accordingly, at 30 June 2008, HLG's consolidated net assets amounted to $306.577m which is less than the net assets of the parent which amounted to $307.697m as set out in the restated 2008 consolidated balance sheets.

Note 1 Summary of significant accounting policies (continued)

(d) Basis of consolidation

Stapling

Hedley Leisure & Gaming Property Fund comprises Hedley Leisure & Gaming Property Trust and Hedley Leisure & Gaming Property Partners Limited and their controlled entities. The units of the Trust and the shares of the Company are stapled such that the units and shares cannot be traded separately. The stapling occurred on 2 August 2007 just prior to the listing of HLG. Australian Accounting Standards Board Interpretation 1002 – Post-Date-of-Transition Stapling Arrangements requires an acquirer and parent be identified. The acquirer and parent entity for the purpose of these financial statements is the Trust. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the Trust, no goodwill is recognised in relation to the stapling arrangement. The net assets and net profit of the company and it controlled entities are recognised as minority interest as they are not owned by the Trust in the stapling arrangement.

Subsidiaries

Subsidiaries of HLG are entities controlled by the Trust or the Company. Control exists when the Trust or the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with those adopted by HLG. In the Trust's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains or losses and income or expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income from operating leases is recognised on a straight line basis over the lease term. Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight line basis over the term of the lease or over the period until the next market review date. An asset is recognised to represent the portion of operating lease revenue in a reporting period relating to fixed increases in operating lease rentals in future periods. Although the receivable is considered to be a component part of the relevant property investment carrying value, it is disclosed separately.

Interest revenue

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Dividends and distributions

Dividend income relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date.

Income distributions from private equity investments and other managed investment schemes are recognised in the income statement as income when declared.

Outgoings and other revenue

Outgoings recoverable from tenants and other revenue is recognised when the right to receive the revenue has been established.

(f) Manager's fees

Managers fees are calculated and accrued on a monthly basis. This liability is then satisfied by the issue of HLG stapled securities.

Note 1 Summary of significant accounting policies (continued)

(g) Income tax

Trust

Under current Australian income tax legislation, the Trust is not liable to income tax provided unit holders are presently entitled to all of the Trust's income at 30 June each year.

Company

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(h) Derivative financial instruments

HLG uses derivative financial instruments, such as interest rate swaps, to hedge its exposure to interest rate risks arising from financing and investment activities. In accordance with its treasury policy, HLG does not hold or issue derivative financial instruments for trading purposes. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date and represent the estimated amount that HLG would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(i) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where equity instruments are issued as consideration, the market value of the HLG securities at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in contributed equity.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to HLG in future periods, otherwise, the costs are expensed as incurred.

(j) Investments

Investment property

Investment property is accounted for using the fair value model. Under the fair value model, investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Subsequent to initial recognition, investment properties are stated at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the balance sheet date. Gains and losses arising from changes in the fair values of investment properties are recognised in the income statement in the period in which they arise.

Independent valuations of investment properties which HLG intends to hold continuously are obtained from suitably qualified valuers as discussed in note 16 and appropriately reflected in the financial statements.

Note 1 Summary of significant accounting policies (continued)

(j) Investments (continued)

Investment property (continued)

If an independent valuation has not been obtained at balance sheet date for an investment property the investment property is stated at the value of the last valuation plus any capital additions made to the investment property since the date of the last valuation. Notwithstanding this, the carrying value of each investment property at each reporting date is assessed to ensure that its carrying value does not significantly differ from its fair value at reporting date. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Investments in listed entities

Investments in debt and equity securities, eg investments in listed entities, satisfy the definition of financial instruments.

Financial instruments held by the entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for any impairment losses identified. Where these investments are sold, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. The fair value of available for sale financial instruments is determined by reference to the quoted closing price at reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts form an integral part of HLG's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(m) Trade and other payables

Trade and other payables are measured at amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, when there is a contractual obligation to HLG.

(n) Loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with HLG's accounting policy for finance costs.

Interest bearing liabilities are classified as current liabilities unless an unconditional right exists at balance sheet date to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest expense is accrued at the contracted rate and disclosed as other liabilities.

(o) Capital raising and issue costs

Costs incurred, that are directly in connection with the raising of contributed equity and which would not have been incurred had the securities not been issued, are recorded in contributed equity as a reduction of the proceeds of the instruments to which the costs relate.

(p) Intangible assets

Liquor and gaming licences are intangible assets with an indefinite useful life and are stated at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(q).

(q) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities the reversal is recognised directly in equity.

Note 1 Summary of significant accounting policies (continued)

(q) Impairment (continued)

Non-financial assets

The carrying amounts of HLG's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and it fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Non–current assets held for sale

Non–current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with HLG's accounting policies. Thereafter generally the assets are measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on measurement are recognised in profit or loss.

(s) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and the amortised portion of capitalised debt issue costs.

(t) Earnings per stapled security

Basic earnings per security

Basic earnings per security are calculated by dividing the profit attributable to security holders by the weighted average number of securities outstanding during the financial year.

Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the effect of potentially dilutive securities.

(u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing the financial report:

AASB 2008 - 5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Process* and 2008 - 6 Further *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for HLG's 30 June 2010 financial statements. HLG has not yet determined the potential impact of these amendments.

AASB 2008 - 7 *Amendments to Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for HLG's 30 June 2010 financial statements. HLG has not yet determined the potential effect of the amendment.

Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by HLG in a subsidiary, while maintaining control, to be recognised as an equity transaction. When HLG loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for HLG's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

Note 1 Summary of significant accounting policies (continued)

(v) New standards and interpretations not yet adopted (continued)

Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for HLG's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. HLG plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

Note 2 Financial risk management

Overview

The Trust and HLG have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Trust's and HLG's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Responsible Entity and the Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. Under the service agreements HLG and HLG Management Pty Ltd ("the Manager") appointed an Investment Committee comprising the directors of the Company. The Investment Committee is an advisory committee, which liaises between the Manager and the Responsible Entity (and its Audit, Risk and Compliance Committee – Managed Investment Scheme for the Trust), and the Company and the Manager. The Investment Committee receives all reports and recommendations of the Manager, and makes recommendations to the Responsible Entity and the Company.

Under the service agreements HLG and the Manager are required to establish and maintain risk management policies and procedures. Risk management policies and procedures are established by the Manager to identify and analyse the risks faced by the Trust and HLG, to set appropriate risk limits, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Trust's and HLG's activities.

The Investment Committee and the Audit Risk and Compliance Committee oversee how the Manager monitors compliance with the Trust's and HLG's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Trust and HLG.

Credit risk

Credit risk is the risk of financial loss to HLG if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from HLG's receivables from customers and tenants and investment securities. For the Trust, additionally it arises from receivables due from subsidiaries.

Rental and outgoing receivables

The Trust's and HLG's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. HLG has sought to reduce this tenancy risk by establishing leases with reputable tenants of multiple properties. These are considered to be experienced operators in the pub industry with a strong financial position. Approximately 99% of HLG's rental revenue is attributable to HLG's three main tenants. 11% of that rental revenue is from Hedz Pty Ltd, which had receivers and managers appointed on 1 July 2009. The remaining 88% of HLG's rental revenue relates to its top two tenants Coles (42%) and NLG (46%)

In the event of rental defaults by any of HLG's tenants or if a lease comes to an end the liquor and gaming licences will revert to HLG which will therefore have a business capable of immediate sale. Should there be any intervening period of time between surrender and sale of the new lease, then the lease can be operated on behalf of HLG by another operator. The Trust and HLG have established an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables. This allowance takes into consideration each tenant's individual circumstances.

On 1 July 2009, administrators and receivers were appointed to Hedz Pty Ltd, one of HLG's tenants. The receiver/administrator of Hedz Pty Ltd is operating 10 hotels currently leased by HLG to Hedz Pty Ltd and associated retail outlets and is paying rent to HLG in accordance with the leases. This rent equates to approximately 10% of HLG's total rent receivable.

Investments

HLG's only exposure to credit risk from investments relates to HLG's investment in ALE Property Group, which is deemed to be a liquid security.

Liquidity risk

Liquidity risk is the risk that HLG will not be able to meet its financial obligations as they fall due. HLG's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to HLG's reputation.

HLG is reliant on its debt facilities which are due to expire in August 2010.

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Note 2 Financial risk management (continued)

Liquidity risk (continued)

On 1 July 2009, administrators were appointed to Hedz Pty Ltd, one of HLG's tenants resulting in a breach of the loan conditions with the bank syndicate. Also the loan to value ratio ("LVR") covenant under the existing debt facilities was breached as at 30 June 2009. These breaches result in the bank syndicate having the right to require immediate repayment of the entire outstanding debt which would also result in the need to close out the interest rate swaps. To date the bank syndicate has not waived the breaches.

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

As Manager of HLG, HLG Services Pty Limited is confident that it is taking all appropriate measures and that it has the support of its bank syndicate. There is significant risk that if negotiations with its bank syndicate are unsuccessful and/or if refinancing does not occur prior to the expiry of the current debt facilities in August 2010, repayment of those facilities may be required.

HLG uses 12 months cash flow forecasts, which assists it in monitoring cash flow requirements. Typically HLG ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including servicing of financial obligations. In addition, HLG maintains a $5 million interest reserve account. The bank account was established as a requirement of the ANZ Senior Debenture Subscription Facility ("SDSF") and ANZ Junior Debenture Subscription Facility ("JDSF") (see note 23).

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect HLG's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk for HLG arises from JDSF and SDSF borrowings on which the ANZ banking syndicate charges interest on a variable rate basis.

HLG adopts a policy of ensuring that 100 percent of its exposure to changes in interest rates and borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps. The notional amount, being the hedged amount, of HLG's interest rate swaps is $760 million while interest bearing liabilities amounted to $745 million as at 30 June 2009. HLG uses layered fixed interest rate swaps to hedge its exposure. HLG does not apply hedge accounting and any fair value changes in HLG's derivative financial instruments are recognised in profit or loss.

Other market price risk

Equity price risk arises from available-for-sale equity securities. Any available-for-sale equity investments held by HLG are strategic investments in order to diversify its portfolio. Any movements in the market value of the available-for-sale equity investments are recognised directly in equity and do not affect HLG's income except to the extent that the available-for-sale equity investments are considered impaired.

Capital management

HLG regards its financial liabilities with ANZ Banking Group as capital and monitors these to add value and address risks where appropriate.

The Manager monitors the yield on an individual property basis to ensure each property in HLG's portfolio returns a target yield of at least 6% on a going forward basis. Additionally, the Manager monitors the return on capital, which HLG defines as net operating income divided by total security holders equity as well as net tangible assets per security and distribution levels to ensure the value provided to stapled security holders is maintained.

JDSF and SDSF contracts require HLG to meet the following financial covenants at each calculation date being the end of each quarter:

- Minimum Interest Coverage Ratio (ICR) of 1.1 on total debt facilities (1.15 for the JDSF) calculated as EBITDA less any distribution income from available-for-sale equity investments divided by net interest expense.
- Minimum Interest Coverage Property Ratio (ICR Property) of 1.1 calculated as EBITDA and ALE distribution income divided by net interest expense.
- Maximum Loan Valuation Ratio (LVR) of 75% on total debt facilities (70% for the SDSF), calculated as finance debt less any amounts in interest reserve accounts divided by the aggregate value of HLG's property portfolio.

Note 2 Financial risk management (continued)

Capital management

HLG's ICR for the year ended 30 June 2009 was 1.26 (30 June 2008: 1.36) and the ICR Property for the year ended 30 June 2009 was 1.24 (30 June 2008:1.29). HLG's LVR as at 30 June 2009 was 76.37% (70.18% for the SDSF) (30 June 2008: 69.65%, (64.07% for the SDSF)). Since its ICR and ICR property ratios are at a level below 1.30, no distribution is allowed to be paid or declared nor is it possible for HLG to acquire any further investment properties.

There were no changes in HLG's approach to capital management during the year.

Neither the Trust nor any of its subsidiaries are subject to externally imposed capital requirements.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000
Note 3 Distributions received or receivable					
Distributions from publicly traded entities		968	3,945	968	3,945
Distributions from controlled entities		-	-	1,227	1,678
		968	3,945	2,195	5,623

Distributions from publicly traded entities relate to distributions from HLG's investment in ALE Property Group. Distributions from controlled entities relate to the distribution of the profit of the Trust's wholly owned subsidiary C.H. Trust. This distribution is eliminated upon consolidation.

Note 4 Manager's fees

Until 30 June 2009, the Manager was HLG Management Pty Ltd as trustee for HLG Services Trust (the "Manager"), a wholly owned subsidiary of TWH (Qld) Pty Ltd. In accordance with the service agreements between the Manager, the Company and the Trust, the Manager was entitled to the following fees:

Base fee

A base fee of 0.30% per annum (exclusive of GST) of the gross value of HLG's assets. The base fee is calculated monthly and payable half-yearly.

Performance fee

A performance fee of up to 0.25% of the gross value of HLG's assets based on the percentage by which the accumulated return on the stapled securities exceeds the performance of the S&P/ASX 200 Property Trust Accumulation Index for the corresponding period.

	Note	Consolidated 2009 $'000	Consolidated 2008 - Restated $'000	Parent 2009 $'000	Parent 2008 - Restated $'000
Base fee		3,159	3,025	3,159	3,025
Performance fee		-	-	-	-
	28	3,159	3,025	3,159	3,025

Transaction fee

Additionally, the Manager is entitled to a transaction fee of 1.00% of the purchase price on completion of real property acquisitions. These are accounted for as part of the acquisition cost of the property. The transaction fee is payable upon completion of the acquisition. Transaction fees for the year amounted to nil (2008: $881,687).

All Manager's fees are payable in HLG stapled securities for the first two years after listing.

		CONSOLIDATED		PARENT ENTITY	
	Note	2009 $'000	2008 - Restated $'000	2009 $'000	2008 - Restated $'000
Note 5 Finance costs					
(a) Finance costs – cash					
Senior Debenture Subscription Facility ("SDSF") interest expense	(i)	39,985	51,582	39,985	51,582
Junior Debenture Subscription Facility ("JDSF") interest expense	(ii)	4,361	4,348	4,361	4,348
Other interest expense	(iii)	91	8,454	89	8,454
Net payments from interest rate swaps	(iv)	11,533	(10,924)	11,534	(10,924)
		55,970	53,460	55,969	53,460
(b) Finance costs – non-cash					
Amortised costs - bridging facility (retired July 2007)	(v)	-	1,100	-	1,100
Amortised costs - SDSF and JDSF	(vi)	3,423	2,898	3,423	2,898
Net present value adjustment - prepaid interest rate swap interest	(vii)	(953)	238	(953)	238
Other borrowing costs		356	442	355	440
		2,826	4,678	2,825	4,676
Total finance costs		58,796	58,138	58,794	58,136

(i) Variable rate interest expense for the SDSF issued in August 2007 with a scheduled termination on 7 August 2010. The interest rate is the monthly BBSY (Bank Bill Swap Bid Rate) plus 0.8% interest margin.

(ii) Variable rate interest expense for the JDSF issued in August 2007 with a scheduled termination on 7 August 2010. The interest rate is the monthly BBSY plus 1.5% margin.

(iii) Interest expense for bank overdraft facilities and bridging facilities. The bridging facility was fully paid out upon issue of SDSF and JDSF.

(iv) HLG's interest rate exposures from SDSF and JDSF borrowings totalling $745 million as at 30 June 2009 are 100% hedged by 10 year fixed index swaps with indexation occurring on 1 July each year. The swaps lock the interest rate on debt facilities taken out by HLG at a weighted average rate of 6.47 % excluding interest margins for the 2009 financial year.

(v) Establishment costs of the bridging facility were fully amortised as at 30 June 2008.

(vi) Establishment costs of SDSF and JDSF facilities are being amortised over three years on an effective interest rate basis.

(vii) The net present value has been calculated on monthly cash flows of $51,700 over the next 9 years, being the return on prepaid interest.

Note 6 Loss on disposal of investment properties and licences

Mount Isa Hotel	-	21	-	21
1 Reservoir Road, Manoora	54	-	54	-
213 Sheridan Street, Cairns	237	-	237	-
59 Bowen Road, Rosslea	36	-	36	-
Finnian's Irish Tavern	80	-	80	-
Taranganba Tavern	654	-	654	-
Chincogan Hotel	40	-	40	-
	1,101	21	1,101	21

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 - Restated $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 - Restated $'000
Note 7 Impairment of assets					
(a) Available for sale assets					
ALE stapled securities	19	2,421	17,718	2,421	17,718
(b) Non -current assets					
Gaming machine licences		19,528	14,720	19,646	14,602
Related party receivables	30, 31	4,509	-	4,509	-
		26,458	32,438	26,576	32,320
Note 8 Other expenses					
Auditor's remuneration		216	183	197	176
Legal costs		296	60	296	60
Licence fees		-	13	-	1
Rent		17	19	13	19
Travelling expenses		34	18	29	14
Consultancy fees		713	795	853	1,040
Responsible Entity fees		257	357	257	357
Directors' insurance		54	55	54	55
ASX CHESS charges		123	146	123	146
Sundry expenses		327	1,094	327	1,094
Stamp duty	35	596	-	596	-
Allowance for bad debts	31	433	-	433	-
All other expenses		65	349	61	337
		3,131	3,089	3,239	3,299
Auditor's remuneration					
KPMG Australia					
- Audit and review of financial reports		184,619	113,243	165,619	106,243
- Other assurance services		16,350	35,850	16,350	35,850
- Other services		12,850	34,319	12,850	34,319
		213,619	183,412	194,819	176,412
Other auditors					
Moore Stephens					
- Other assurance services		1,800	-	1,800	-
		1,800	-	1,800	-

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$	$	$	$
Note 9 Income tax expense					
(a) The components of income tax expense comprise					
Current tax expense		23	58	-	-
Deferred tax expense		-	-	-	-
		23	58	-	-
(b) Prima facie tax on profit from ordinary activities					
Loss from continuing operations before income tax		(178,651)	(88,115)	(179,862)	(87,592)
Tax at the Australian tax rate of 30%		(53,595)	(26,435)	(53,959)	(26,278)
Add: tax effect of					
Non deductible expenses		53,541	26,488	53,959	26,278
Deferred tax asset not yet recognised		84	6	-	-
Non assessable income		(7)	(1)	-	-
		23	58	-	-

Note 10 Earnings per stapled security

	CONSOLIDATED		EARNINGS PER SECURITY	
	2009	2008 - Restated	2009 cents	2008 - Restated cents
Net loss after tax attributable to stapled security holders	$(178,674,000)	$(88,173,000)		
Total stapled securities on issue at year end	157,031,854	137,222,609		
Weighted average stapled securities – basic	151,260,201	121,772,324	(118.12)	(72.41)
Weighted average stapled securities – diluted	151,260,201	121,772,324	(118.12)	(72.41)

There have been no dilutive transactions involving stapled securities or potential stapled securities during the year or since the balance sheet date.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$	$	$	$
Note 11 Cash and cash equivalents					
Interest reserve account		5,000	5,000	5,000	5,000
Other cash at bank and on hand		5,258	5,862	4,514	5,269
		10,258	10,862	9,514	10,269

In the event of a loan repayment default by HLG, its lender has the right to use funds from the interest reserve account to cover any shortfall. These funds are restricted and are not available for general use.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000

Note 12 Trade and other receivables

Trade receivables		1,473	232	1,459	206
Less: Allowance for impairment		(433)	-	(433)	-
Net trade receivables		1,040	232	1,026	206
Other receivables		813	3,872	813	3,421
Receivable from subsidiary		-	-	24,235	26,126
		1,853	4,104	26,074	29,753

The amount receivable from the subsidiary is an unpaid present entitlement. In order to repay the unpaid present entitlement to the parent, the subsidiary would need to refinance the debt or dispose of its investment property.

Note 13 Other current assets

Receivable due from related party		-	593	-	593
Other current assets		40	-	40	-
		40	593	40	593

Note 14 Non - current assets held for sale

Investment properties held for sale		-	13,449	-	13,449
Licences relating to investment property held for sale		-	2,469	-	2,469
	16	-	15,918	-	15,918

Prior to 30 June 2009, there were no hotels being actively marketed for sale (30 June 2008: 6 hotels).

Movements

Carrying amount at the beginning of the year		15,918	-	15,918	-
Additions		500	-	500	-
Transfer to investment property		(2,588)	-	(2,588)	-
Transfer to intangibles/licences		(829)	-	(829)	-
Disposals		(13,001)	-	(13,001)	-
Transfer from investment property		-	13,449	-	13,449
Transfer from intangibles/licences		-	2,469	-	2,469
Carrying amount at the end of the year		-	15,918	-	15,918

At 30 June 2008, six hotels including their respective liquor and gaming licences were being actively marketed for sale. Subsequent to that date, five of the hotels were sold and one was withdrawn from sale.

Note 15 Property, plant and equipment

Carrying amount at the beginning of the year		600	600	600	600
Less: Transfer to investment property		(600)	-	(600)	-
Carrying amount at the end of the year		-	600	-	600

		CONSOLIDATED		PARENT ENTITY	
	Note	2009 $'000	2008 - Restated $'000	2009 $'000	2008 - Restated $'000
Note 16 Investment property					
Investment property and licences as per list of properties below		962,394	1,065,860	935,992	1,039,141
Straight-line lease adjustment	17	(65,437)	(38,755)	(64,766)	(38,399)
Properties and licences held for sale	14	-	(15,918)	-	(15,918)
Component of valuations attributable to licences (shown separately as intangible assets restated at cost - Note 18)		(153,463)	(171,379)	(150,787)	(167,574)
		743,494	839,808	720,439	817,250
Movements					
Carrying amount at the beginning of the year		839.808	551,657	817,250	528,593
Acquisitions		1,337	416,607	1,337	416,607
Transfer to non-current assets held for sale		-	(13,449)	-	(13,449)
Transfer from property, plant and equipment		603	-	603	-
Transfer from non-current assets held for sale		2,588	-	2,588	-
Disposals		(1,044)	(1,700)	(1,044)	(1,700)
Fair value adjustments		(73,116)	(85,487)	(73,927)	(84,947)
Straight line lease adjustment		(26,682)	(27,820)	(26,368)	(27,854)
Carrying amount at the end of the year		743,494	839,808	720,439	817,250

List of properties including licences

Property	Date acquired	Cost including additions $'000	Date of valuation	Valuation at 30 June 2009 $'000	Valuations at 1 July 2008 $'000*	Valuation gain/ (loss) 30 June 2009 $'000	Note
Queensland							
Anthill Hotel, Mareeba	Jan-05	3,052	30/06/09	1,860	1,800	60	(b)
Barrier Reef Hotel, Cairns	Aug-01	552	30/06/09	2,498	2,175	323	(b)
Barron River Hotel, Stratford	Feb-01	1,002	30/06/09	5,646	5,500	146	(b)
Berserker Hotel, Rockhampton	May-04	3,131	30/06/09	7,320	7,200	120	(b)
Bonny View Tavern, Bald Hills	Dec-06	7,999	30/06/09	10,122	10,507	(385)	(b)
Boomerang Motor Hotel, West Mackay	Sep-01	2,405	30/06/09	7,631	7,000	631	(b)
Bribie Island Hotel, Bellara	Aug-07	16,655	30/06/09	12,000	12,500	(500)	(a)
Brighton Hotel, Brighton	Jul-05	7,214	30/06/09	8,759	8,200	559	(b)
Bushland Beach Resort, Bushland Beach	Jul-07	9,959	30/06/09	6,696	7,900	(1,204)	(b)
Cairns Central (Sole), Cairns	Jun-05	4,741	30/06/09	6,062	5,800	262	(b)
Carrington Hotel, Atherton	Sep-06	4,532	30/06/09	2,045	2,300	(255)	(b)
Chancellors Tavern, Sippy Downs	Aug-07	8,440	30/06/09	9,600	9,500	100	(a)
Cleveland Sands Hotel, Cleveland	Dec-06	18,271	30/06/09	20,184	20,405	(221)	(b)
Club Hotel, Gladstone	Jan-05	4,372	30/06/09	5,937	5,800	137	(b)
Commonwealth Hotel, Innisfail	Jul-98	1,054	30/06/09	1,952	1,800	152	(b)
Coomera Lodge, Oxenford	Dec-06	5,125	30/06/09	2,825	4,202	(1,377)	(b)
Crown Hotel, Lutwyche	Nov-05	9,570	30/06/09	26,402	25,500	902	(b)
Dunwoody's Tavern, Cairns	Jan-97	4,230	30/06/09	16,342	15,800	542	(b)
Lot 26/27 Evans Crescent, North Mackay	Apr-09	750	30/06/09	750	750	-	(b)
Everton Park Hotel, Everton Park	Dec-06	11,114	30/06/09	18,068	18,431	(363)	(b)
Ferry Road Tavern, Southport	Jul-06	33,401	30/06/09	19,677	20,657	(980)	(b)

Note 16 Investment property (continued)

List of properties including licences (continued)

Property	Date acquired	Cost including additions $'000	Date of valuation	Valuation at 30 June 2009 $'000	Valuations at 1 July 2008 $'000*	Valuation gain/ (loss) 30 June 2009 $'000	Note
Queensland (continued)							
Finnigan's Chin, Cleveland	Sep-03	3,870	30/06/09	10,708	9,300	1,408	(b)
Finnigan's Chin Irish Pub, Kallangur	Mar-06	7,888	30/06/09	7,000	7,275	(275)	(a)
Fitzy's Hotel and Convention Centre, Loganholme	Jun-06	10,651	30/06/09	16,964	16,000	964	(b)
Fitzy's Waterford, Waterford	Jun-06	14,381	30/06/09	12,585	11,500	1,085	(b)
The Glades Tavern, Yamanto	Dec-06	10,448	30/06/09	7,438	9,100	(1,662)	(b)
Grafton Hotel, Edmonton	Jun-94	1,520	30/06/09	5,718	5,326	392	(b)
Hermit Park Hotel Motel, Townsville	Nov-07	8,343	30/06/09	4,500	7,200	(2,700)	(a)
Hotel Allen, North Ward	May-00	3,898	30/06/09	15,523	16,074	(551)	(b)
Inala Hotel, Inala	Jun-05	9,503	30/06/09	7,500	8,000	(500)	(a)
Kings Beach Tavern, Kings Beach	Aug-07	12,061	30/06/09	11,900	13,450	(1,550)	(a)
Kirra Beach Hotel, Kirra Beach	Oct-06	16,802	30/06/09	15,750	15,798	(48)	(b)
Kooyong Hotel, North Mackay	Mar-02	2,129	30/06/09	5,582	5,200	382	(b)
Leichhardt Hotel, Rockhampton	Nov-04	4,921	30/06/09	7,541	5,150	2,391	(b)
Lord Stanley Hotel, East Brisbane	Aug-07	8,636	30/06/09	8,100	8,100	-	(a)
Mansfield Hotel, Townsville	Oct-00	2,510	30/06/09	4,342	3,800	542	(b)
Mi Hi Tavern, Brassall	Dec-06	11,171	30/06/09	12,800	12,250	550	(b)
Mountain Creek Tavern, Mountain Creek	Jan-08	10,127	30/06/09	7,000	8,525	(1,525)	(a)
Palm Cove Tavern, Palm Cove	Apr-04	3,352	30/06/09	5,833	5,022	811	(b)
Regatta Hotel, Toowong	Nov-06	33,528	30/06/09	31,963	31,600	363	(b)
Royal Hotel, Townsville	Sep-98	935	30/06/09	4,899	4,440	459	(b)
Royal Mail Hotel, Tewantin	Aug-07	15,660	30/06/09	13,500	14,700	(1,200)	(a)
Shamrock Hotel, Mackay	Nov-07	20,206	30/06/09	16,660	16,500	160	(b)
Sundowner Hotel Motel, Caboolture	Sep-03	3,801	30/06/09	8,267	7,775	492	(b)
Tom's Tavern, Aitkenvale	Dec-03	6,932	30/06/09	17,926	16,100	1,826	(b)
Trinity Beach Hotel, Trinity Beach	Jun-05	6,680	30/06/09	12,209	11,800	409	(b)
Westcourt Tavern, Cairns	Aug-01	3,177	30/06/09	5,517	5,500	17	(b)
Wickham Hotel, Fortitude Valley	Jun-06	6,429	30/06/09	8,182	7,078	1,104	(b)
Woodpecker Bar & Grill, Burpengary	Sep-03	1,944	30/06/09	5,703	5,500	203	(b)
Bayswater Road DBS, Townsville	Jul-07	2,219	30/06/09	1,814	2,150	(336)	(b)
Bella Vista DBS, Cairns	Aug-99	248	30/06/09	291	320	(29)	(b)
Bundock Street DBS, Cairns	May-04	187	30/06/09	530	530	-	(a)
Centenary Cellars DBS, Cairns	Sep-99	119	30/06/09	360	360	-	(a)
Coastwatchers DBS, Trinity Beach	Jun-05	559	30/06/09	660	760	(100)	(b)
Edge Hill DBS, Cairns	Sep-98	221	30/06/09	525	525	-	(a)
English Street DBS, Cairns	Oct-99	142	30/06/09	525	525	-	(a)
Kewarra Beach DBS, Cairns	Sep-05	259	30/06/09	525	525	-	(a)
Railway Estate DBS, Townsville	Nov-04	268	30/06/09	534	500	34	(b)
Southside DBS, Cairns	Dec-02	360	30/06/09	535	525	10	(b)
Woree DBS, Cairns	Oct-01	232	30/06/09	539	450	89	(b)
Yorkeys Knob DBS, Cairns	Sep-94	52	30/06/09	500	500	-	(a)
Fairfield Waters Tavern Site, Idalia	Nov-07	7,315	30/06/09	6,300	6,303	(3)	(b)
Total Queensland properties		**411,253**		**497,624**	**495,763**	**1,861**	

Note 16 Investment property (continued)

List of properties including licences (continued)

Property	Date acquired	Cost including additions $'000	Date of valuation	Valuation at 30 June 2009 $'000	Valuations at 1 July 2008 $'000*	Valuation gain/ (loss) 30 June 2009 $'000	Note
New South Wales							
Bankstown Club Hotel, Bankstown	Jul-07	18,751	30/06/09	11,400	15,000	(3,600)	(a)
Brewhouse Belmore, Belmore	Aug-07	16,995	30/06/09	14,921	16,300	(1,379)	(b)
Brewhouse Doonside, Doonside	Aug-07	15,175	30/06/09	11,690	14,500	(2,810)	(b)
Bridge View Tavern, Willoughby	Feb-07	14,771	30/06/09	5,100	10,000	(4,900)	(a)
Bristol Arms Retro Hotel, Sydney	Feb-07	14,771	30/06/09	10,000	12,500	(2,500)	(a)
Cabramatta Club Hotel, Cabramatta	Jul-07	27,733	30/06/09	20,920	25,300	(4,380)	(b)
Campbelltown Club Hotel, Campbelltown	Jul-07	18,757	30/06/09	16,008	19,000	(2,992)	(b)
Canterbury Club Hotel, Canterbury	Jul-07	25,277	30/06/09	7,550	13,500	(5,950)	(a)
Commercial Hotel, Mullumbimby	Oct-06	3,167	30/06/09	2,946	3,500	(554)	(b)
Hotel Cremorne, Cremorne	Feb-07	22,581	30/06/09	19,850	25,800	(5,950)	(a)
Eastwood Hotel, Eastwood	Aug-07	33,013	30/06/09	26,946	27,750	(804)	(b)
El Cortez Hotel, Wakely	Jun07	29,543	30/06/09	23,344	26,750	(3,406)	(b)
Heritage Hotel, Wilberforce	Feb-08	8,508	30/06/09	4,000	4,901	(901)	(b)
Keighery Hotel, Auburn	Jun-07	19,752	30/06/09	14,150	17,000	(2,850)	(a)
Kincumber Hotel, Kincumber	Aug-06	17,804	30/06/09	11,300	15,000	(3,700)	(a)
Kooringal Hotel, Wagga Wagga	Feb-07	8,442	30/06/09	7,114	7,750	(636)	(b)
Lakeview Hotel, Oak Flats	Aug-07	12,361	30/06/09	8,829	8,700	129	(b)
Leumeah Club Hotel, Leumeah	Jul-07	15,773	30/06/09	12,300	15,000	(2,700)	(a)
Lidcombe Hotel, Lidcombe	Jun-07	8,611	30/06/09	6,350	7,200	(850)	(a)
Livingstone Hotel, Petersham	Jun-07	14,857	30/06/09	9,100	11,000	(1,900)	(a)
Moonee Beach Tavern, Moonee Beach	Jul-07	8,594	30/06/09	7,031	8,600	(1,569)	(b)
Mount Annan Club Hotel, Mount Annan	Jul-07	18,757	30/06/09	19,647	22,000	(2,353)	(b)
Mt Druitt Cedars Tavern, Emerton	Jun-07	13,338	30/06/09	11,437	13,500	(2,063)	(b)
Ocean Shores Tavern, Ocean Shores	Aug-07	6,818	30/06/09	5,027	6,200	(1,173)	(b)
Plantation Hotel, Coffs Harbour	Feb-07	11,817	30/06/09	6,050	13,000	(6,950)	(a)
Port Macquarie Hotel and Town Green Inn Tavern, Port Macquarie	Jan-07	18,057	30/06/09	17,045	18,250	(1,205)	(b)
Prospect Hotel, Prospect	Nov-07	13,621	30/06/09	9,778	14,137	(4,359)	(b)
Revesby Pacific Hotel, Revesby	Jul-07	18,279	30/06/09	12,006	14,000	(1,994)	(b)
Royal Hotel, Granville	Jun-07	18,908	30/06/09	15,070	17,200	(2,130)	(b)
Royal Hotel, Ryde	Feb-07	14,771	30/06/09	8,900	11,500	(2,600)	(a)
St Marys Hotel, St Marys	Jun-07	13,169	30/06/09	9,328	10,500	(1,172)	(b)
Tacking Point Tavern, Port Macquarie	Jul-07	15,827	30/06/09	10,000	13,500	(3,500)	(a)
Wattle Grove Club Hotel, Wattle Grove	Aug-07	14,253	30/06/09	9,800	14,000	(4,200)	(a)
Willoughby Hotel, Willoughby	Feb-07	22,577	30/06/09	12,400	14,500	(2,100)	(a)
Total New South Wales properties		**555,428**		**397,337**	**487,338**	**(90,001)**	
Victoria							
All Seasons Bendigo, Bendigo	Nov-07	19,019	30/06/09	15,200	17,500	(2,300)	(b)
Total Victoria properties		**19,019**		**15,200**	**17,500**	**(2,300)**	

Note 16 Investment property (continued)

List of properties including licences continued

Property	Date acquired	Cost including additions $'000	Date of valuation	Valuation at 30 June 2009 $'000	Valuations at 1 July 2008 $'000*	Valuation gain/ (loss) 30 June 2009 $'000	Note
South Australia							
The Aussie Inn, Hackham	Sep-07	12,577	30/06/09	8,592	11,000	(2,408)	(b)
Brighton Metro Hotel, Brighton	Jul-07	11,390	30/06/09	10,650	10,775	(125)	(a)
Grand Junction Tavern, Pennington	Jul-07	7,334	30/06/09	6,900	7,000	(100)	(a)
Payneham Tavern, Royston Park	Jul-07	7,976	30/06/09	6,800	6,700	100	(a)
Waterloo Station Hotel, Paralowie	Jul-07	14,580	30/06/09	13,300	13,500	(200)	(a)
Western Tavern, West Gambier	Jul-07	3,875	30/06/09	5,991	6,000	(9)	(b)
Total South Australia properties		**57,732**		**52,233**	**54,975**	**(2,742)**	
Total hotel and bottleshop portfolio		**1,043,432**		**962,394**	**1,055,576**	**(93,182)**	

* Represents fair value at 1 July 2008 plus subsequent capital additions for those properties on hand at 30 June 2009.

Investment property

All investment properties are freehold and 100% owned by HLG and are comprised of land, buildings and fixed improvements. Plant and equipment is held by the tenant.

Leasing arrangements

The investment properties are each leased inclusive of liquor and gaming licences attached to these properties to a single tenant under long-term operating leases with rentals payable monthly, in advance, other than leases to Coles which are payable on the 15th of each month for that month. HLG has incurred no lease incentive costs to date.

Remaining lease terms for all properties vary between 13 and 29 years, excluding options for lease extensions upon completion of the lease term.

Valuation of properties

The valuations of the individual properties listed above are prepared inclusive of liquor and gaming licences.

The basis of valuation of properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Valuations for properties are determined by reference to the net rent for each property, and an applicable capitalisation ("cap") rate. Selection of an appropriate cap rate is based on multiple criteria, including risk associated with achieving the net rent cashflows into the future, and observed market based cap rates for similar properties where they are available.

Valuations reflect the creditworthiness of the tenant including market perceptions of the tenant's creditworthiness, the responsibility and division of property holding costs between the lessor and the lessee and the remaining economic life of the property. The valuations of the individual properties listed above are prepared inclusive of liquor and gaming licences.

At each reporting date, the component of each valuation considered to relate to licences is assessed and deducted to arrive at the value of HLG's investment properties, exclusive of licences. Licences are separately disclosed as intangible assets at cost less impairment losses at note 18. Also refer to note 1(c)(vi) Change in accounting policy. In determining the component of property valuations relating to licences, HLG has had regard to the following:

- Liquor licences are seldom traded. The component value of a property's liquor licence is considered to approximate the current cost of obtaining a similar licence.
- HLG holds no gaming licences in Victoria. In respect of its gaming licences in Queensland, NSW and South Australia, HLG assesses their component values on an individual property basis based on the proportion of the rent that management estimates is attributable to the property because those licences are in place.

Fair value adjustments at 30 June 2009

(a) In line with HLG's policy to independently value one third of its property portfolio, independent valuations were obtained for 34 properties. These valuations were obtained in June 2009. All of these valuations for the year ended 30 June 2009 were completed by Paul Hall (AAPI), Baden Mulcahy (AAPI MRICS) or Kire Georgievski (BBus (Prop) AAPI) of CBRE Hotels Valuation & Advisory Services.

(b) Directors assessed the carrying values of the remaining properties effective 30 June 2009. The capitalisation rates for each property were determined after consideration of the results of the latest available independent valuations, any recent developments on the property and market evidence available for similar properties.

Note 16 Investment property (continued)

Yields applied in the valuations at 30 June 2009 fall in the following ranges for HLG's tenants:

	2009 Yields	2008 Yields
Coles	6.45% - 7.46%	5.62% - 8.75%
NLG	8.00% - 15.68%	6.13% - 8.14%
Hedz / Other	9.25% - 9.37%	6.54% - 10.36%

Hedz Pty Ltd

On 1 July 2009, administrators were appointed to Hedz Pty Ltd, one of HLG's and the parent's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009. Hedz Pty Ltd is the tenant in 13 of the properties owned by HLG and the parent. The independent valuations of the properties tenanted by Hedz Pty Ltd were carried out on a "single holding" basis, consistent with the approach adopted for the other properties valued at 30 June 2009. Directors and management then assessed the carrying values of the other Hedz Pty Ltd tenanted properties not subject to independent valuations based on the results of those independently valued.

Given the insolvency of Hedz Pty Ltd shortly after the valuations were conducted, the directors and management considered the impact that this might have on the values determined for the Hedz Pty Ltd portfolio. As a portion of the lease rentals on these properties has been assessed as currently being above market, they also considered whether an alternate valuation approach, e.g. "vacant possession" might be more appropriate in the circumstances. Having regard to the following, the directors and management are of the opinion that the values determined on the original "single holding" basis referred to above are fair and appropriate at 30 June 2009:

- The receivers and managers of Hedz Pty Ltd have committed to meeting ongoing lease rentals and have continued to meet those rentals since their appointment in early July 2009.
- HLG management continues to work with the receivers and managers for a mutually agreeable outcome in regard to the eventual sale of a number of the Hedz Pty Ltd hotel businesses (and possibly the hotels).
- Expressions of interest for the purchase of a number of the Hedz Pty Ltd tenanted hotels received since 30 June 2009 have all been significantly in excess of HLG carrying values at that date.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000
Note 17 Other non-current assets					
Straight-line lease adjustment	16	65,437	38,755	64,766	38,399
Receivable due from related party	30	-	3,340	-	3,340
Receivable due from other entities within the HLG group		-	-	4	-
		65,437	42,095	64,770	41,739
Note 18 Intangible assets					
Liquor and gaming licences at cost		134,143	152,848	132,247	149,733
Movements					
Carrying amount at the beginning of the year		152,848	103,503	149,733	101,607
Additions		-	76,274	1,337	74,937
Transfer to non-current assets held for sale		-	(2,469)	-	(2,469)
Disposals		(6)	(9,740)	(6)	(9,740)
Transfer from non–current asset held for sale		829	-	829	-
Allowance for impairment		(19,528)	(14,720)	(19,646)	(14,602)
Carrying amount at the end of the year		134,143	152,848	132,247	149,733
Liquor and gaming licences grouped by tenant					
Coles		40,673	40,975	38,777	39,079
NLG		78,258	94,649	78,258	94,649
Hedz/Other		15,212	17,224	15,212	16,005
		134,143	152,848	132,247	149,733

Note 18 Intangible assets (continued)

Liquor and gaming licences are intangible assets with an indefinite useful life and are stated at cost less any impairment losses. Liquor and gaming licences are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

The recoverable amount is assessed at the cash generating unit ("CGU") level, which is the smallest group of assets generating cash flows independent of other CGUs that benefit from the use of the respective intangible assets. Each hotel property is considered to be a CGU.

The recoverable amount is determined based on the fair value less costs to sell which is calculated at the individual hotel property level as the value of the property inclusive of licences less the component of that value which has been allocated to the property itself (i.e. exclusive of the licences). Refer to note 16 for details of the methodology and key assumptions used in valuing the hotel properties and their components being the freehold and the licences.

Hotel values have been impacted in recent years as a consequence of the global financial difficulties. The key assumptions relating to the values of the hotel properties as set out in note 16 impact on the allocation of those values amongst their components, i.e. the licences and the property itself. Although it is expected that hotel values should start to recover in the foreseeable future, there remains a reasonable possibility that hotel values could fall further. Should hotel values fall by 5% overall, then the total carrying amount of liquor and gaming licences would exceed their recoverable amount by \$5.173m (2008: \$5.719m) for the consolidated entity and for the parent.

	Note	CONSOLIDATED 2009 \$'000	CONSOLIDATED 2008 - Restated \$'000	PARENT ENTITY 2009 \$'000	PARENT ENTITY 2008 - Restated \$'000
Note 19 Other investments					
Listed stapled securities in ALE Property Group		7,100	9,521	7,100	9,521
Investment in C.H. Trust		-	-	2,000	2,000
		7,100	9,521	9,100	11,521

The listed securities held are valued as per the quoted market price at balance date, being \$2.20 per security(\$2.95 at 30 June 2008). As a result of a 25% reduction (26% for 2008 year) in the fair value of the ALE Property Group securities from 30 June 2008 to 30 June 2009, it is considered that the securities are impaired and the reduction has been recognised as an impairment loss in the income statement.

C.H. Trust is a 100% subsidiary of Hedley Leisure & Gaming Property Trust. C.H. Properties Pty Ltd acts as trustee of the C.H. Trust.

	Note	CONSOLIDATED 2009 \$'000	CONSOLIDATED 2008 - Restated \$'000	PARENT ENTITY 2009 \$'000	PARENT ENTITY 2008 - Restated \$'000
Note 20 Trade and other payables					
Current					
Trade payables		470	320	470	286
Payables due to other entities within the HLG group		-	-	115	165
Other payables		5,139	8,459	4,990	8,293
		5,609	8,779	5,575	8,744
Note 21 Income tax					
Current					
Current income tax liability		23	58	-	-
Note 22 Distributions paid or payable					
Interim distribution		6,106	16,826	6,106	16,826
Final distribution		-	16,467	-	16,467
Total distributions for the year		6,106	33,293	6,106	33,293

The distributions are made by the Trust which does not pay tax provided it distributes all of its taxable income. No dividend by the Company was paid or declared during the year.

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 - Restated $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 - Restated $'000
Note 23 Loans and borrowings					
Current					
Bank loans		740,752	16,010	-	-
Bank loans on-lent from subsidiary		-	-	740,752	16,010
		740,752	16,010	740,752	16,010
Non-current					
Bank loans		-	730,275	-	-
Bank loans on-lent from subsidiary		-	-	-	730,275
		-	730,275	-	730,275
Bank loans		740,752	746,285	740,752	746,285
Bank loans consist of					
ANZ Junior Debenture Subscription Facility ("JDSF")		59,627	59,479	59,627	59,479
ANZ Senior Debenture Subscription Facility ("SDSF")		681,125	686,806	681,125	686,806
		740,752	746,285	740,752	746,285
JDSF					
JDSF issued August 2007		60,000	60,000	60,000	60,000
Prepaid borrowing establishment costs capitalised		(893)	(752)	(893)	(752)
Amortisation of prepaid borrowing costs		520	231	520	231
		59,627	59,479	59,627	59,479
SDSF					
SDSF issued August 2007		685,381	694,000	685,381	694,000
Prepaid borrowing establishment costs capitalised		(10,199)	(9,861)	(10,199)	(9,861)
Amortisation of prepaid borrowing costs		5,943	2,667	5,943	2,667
		681,125	686,806	681,125	686,806

The ANZ bank loans were taken out by HLG issuer Finance Pty Ltd, a wholly owned subsidiary of the Company and on-lent to the Trust on the same terms and conditions as the ANZ bank loans.

Reclassification of debt as current

HLG's debt facilities are subject to a number of covenants. On 1 July 2009 administrators were appointed to Hedz Pty Ltd, one of HLG's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of the loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratios (LVR) requirements under the existing facilities were breached at 30 June 2009. At 30 June 2009, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches result in the bank syndicate having the right to require immediate repayment of the entire outstanding debt which would also result in the need to pay out any balance due at the time on the interest rate swaps. To date, the bank syndicate has not waived the breach, but has also given no indication that it will exercise its right under the loan agreements. Accordingly, 100% of the debt facility and the interest rate swaps have been reclassified as current at 30 June 2009.

Assets pledged as security

ANZ has first security by way of fixed and floating charge over all of the assets of each entity in the group, a registered mortgage over each property and a fixed charge over each liquor and gaming licence.

Refer to note 5 for further information in regard to HLG's finance costs.

Note 23 Loans and borrowings (continued)

Terms and debt repayment schedule

Bank loans are taken out by a 100% subsidiary of the Company and on-lent to the Trust. The terms and conditions of the loans from the subsidiary to the Trust are equal to those of the bank loans. The schedule below, therefore, is applicable for both the parent entity and the consolidated entity.

	Currency	Nominal interest rate	Date of maturity	Face value $'000	Carrying amount $'000
2009					
JDSF	AUD	1 month BBSY + 1.5%	August 2010	60,000	59,627
SDSF	AUD	1 month BBSY + 0.8%	August 2010	685,381	681,125
				745,381	740,752
2008					
JDSF	AUD	1 month BBSY + 1.5%	August 2010	60,000	59,479
SDSF	AUD	1 month BBSY + 0.8%	August 2010	694,000	686,806
				754,000	746,285

Note 24 Contributed equity

	CONSOLIDATED		PARENT ENTITY	
	No of stapled securities	$'000	No of units	$'000
2009				
On issue at the beginning of the year	137,222,609	450,231	137,222,609	450,231
Capital raising costs	-	(24)	-	(24)
Manager's fees	6,565,091	3,390	6,565,091	3,390
Distribution reinvestment plan	13,244,154	6,836	13,244,154	6,836
Adjustments to founders securities cost base [1]	-	(468)	-	(468)
On issue at the end of the year	157,031,854	459,965	157,031,854	459,965
2008				
On issue at the beginning of the year	67,874,065	277,957	67,874,065	277,957
Adjustments to founder's securities cost base:				
- Cloning of trusts [2]	-	(13,797)	-	(13,797)
- Transfer of development property	-	(16,038)	-	(16,038)
- Setting value of founder's securities	-	(15,200)	-	(15,200)
Capital raising – ASX float	39,571,340	138,302	39,571,340	138,302
Capital raising costs	-	(9,514)	-	(9,514)
Scrip acquisitions of hotels	21,103,634	73,757	21,103,634	73,757
Manager's fees	894,361	2,102	894,361	2,102
Distribution reinvestment plan	7,779,209	12,662	7,779,209	12,662
On issue at the end of the year	137,222,609	450,231	137,222,609	450,231

A unit confers on its holder an undivided absolute, vested and indefeasible beneficial interest in the Trust as a whole, subject to Trust liabilities, not in parts or single assets. All units confer identical interests and rights. Each member registered at the record date has a vested and indefeasible interest in a share of the distribution in proportion to the number of units held by them.

Note 24 Contributed equity (continued)

1.Correction of prior year adjustment.

2. On 20 July 2007, to facilitate the subsequent listing of HLG, certain assets and liabilities of the Trust were 'cloned' into two other trusts including the following:

	Note	CONSOLIDATED 2008 $'000	PARENT ENTITY 2008 $'000
Net assets cloned			
Investment properties at cost and fair value		33,860	33,860
Property, plant and equipment		18,026	18,026
Other assets and liabilities		3,272	3,272
Liability to unit holder of cloned trust		(41,361)	(41,361)
		(13,797)	(13,797)

	Note	CONSOLIDATED		PARENT ENTITY	
		2009 $'000	2008 - Restated $'000	2009 $'000	2008 - Restated $'000
Note 25 Derivative financial instruments					
Derivative financial Instrument - current asset		-	1,817	-	1,817
Derivative financial Instrument - current liability		(84,395)	-	(84,395)	-
Movements					
Interest rate swaps at fair value at the beginning of the year		1,817	26,897	1,817	26,897
Gain on market close out of interest rate swaps		-	(45,700)	-	(45,700)
Fair value increases /(decreases) for the year		(86,212)	20,620	(86,212)	20,620
Fair value of interest rate swaps at the end of the year		(84,395)	1,817	(84,395)	1,817

The mark-to-market valuation of HLG's interest rate swaps was performed by ANZ Banking Group Limited.

Due to breaches of HLG's debt facilities at 30 June 2009, 100% of the debt and interest rate swaps have been reclassified as current at that date (note 23).

Note 26 Reserves

	2009 $'000	2008 - Restated $'000	2009 $'000	2008 - Restated $'000
Capital reserve	62	62	62	62
Movements				
Opening balance at the beginning of the year	-	8,782	-	8,782
Impairment of available-for-sale financial instruments	-	(8,720)	-	(8,720)
Closing balance at the end of the year	62	62	62	62

Note 27 Operating leases – leases as lessor

HLG leases out its investment property and associated licences held under operating leases (see note 16). The future minimum lease payments under non-cancellable leases are as follows:

	2009 $'000	2008 - Restated $'000	2009 $'000	2008 - Restated $'000
Less than one year	76,699	74,933	74,955	73,198
Between one and five years	331,691	324,907	324,770	317,729
More than five years	1,253,963	1,335,844	1,241,813	1,342,207
	1,662,353	1,735,684	1,641,538	1,733,134

Note 28 Share-based payments

All management fees to the Manager during the year were paid in HLG stapled securities. The number of stapled securities issued to settle the management fee liability as per the service agreement was determined by reference to the market value of HLG stapled securities as at the determination date of the Manager's fees. For further details in regard to Manager's fees refer to note 4.

The following number of stapled securities were issued to the Manager during the year as Manager's fee consideration:

Manager's fees	Fee $ 2009	No. of stapled securities issued 2009	Issue Price $ 2009	Fee $ 2008	No. of stapled securities issued 2008	Issue Price $ 2008
Paid Manager's base fee	1,593,520	3,528,018	0.415	1,305,561	599,771	2.18
Manager's base fees payable 30 June	1,565,588	-		1,719,175	-	
	3,159,108	3,258,018		3,024,736	599,771	
Paid Manager's transaction fees	-	-		799,687	294,590	2.71
Manager's transaction fees payable 30 June	-	-		82,000	-	
	-	-		881,687	294,590	
	3,159,108	3,258,018		3,906,423	894,361	

No stapled security options or stapled securities have been issued to any director or employee of the Manager as remuneration for their services provided.

Note 29 Group entities

The parent entity for the purpose of the financial statements is Hedley Leisure & Gaming Property Trust. Hedley Leisure & Gaming Property Partners Limited, by virtue of the stapling arrangement and the election of the Trust to be the parent entity, is treated as a notional subsidiary of the Trust, the equity of which is accounted for as minority interest in the consolidated financial statements.

Subsidiaries	Country of incorporation	Ownership interest
Subsidiaries of the Company		
Hedley Leisure & Gaming Property Services Limited	Australia	100%
HLG Issuer Finance Pty Ltd	Australia	100%
C.H. Properties Pty Ltd	Australia	100%
Subsidiaries of the Trust		
C.H. Trust	Australia	100%

Note 30 Related party disclosures

Key management personnel

HLG does not employ personnel in its own right. However, the Trust is required to have an incorporated responsible entity to manage its activities and this is considered key management personnel (KMP). The directors and secretary of the Responsible Entity are key management personnel of that entity. The directors of the Responsible Entity during the reporting period were Jonathan Sweeney, Michael Britton, Vicky Allen, Eugene Quass, David Grbin and John Atkin and the secretary was Adrian Lucchese.

The directors, chief financial officer and secretary of the Company are also considered KMP. During the reporting period, the directors were Colin Henson, Nerolie Withnall, Greg Kern, Thomas Hedley, Stephen Donnelly and Peter Armstrong, the chief financial officer was David Charles and the secretary was Russell Daly.

No fees or benefits are payable to the directors of the Responsible Entity. Those directors are employees of Trust Company Limited.

The Responsible Entity is entitled under the Trust Constitution to a management fee of 2% per annum of the net value of the Trust's property for so long as it is the Responsible Entity of the Trust. While certain service agreements remain in place, the Responsible Entity will waive its right to this full fee and instead accept $250,000 per annum plus 0.015% per annum of the net value of Trust property between $1.2 billion and $1.5 billion. The fee payable where the net value of Trust property exceeds $1.5 billion will be as agreed between the parties. This amount is paid in cash to the Responsible Entity monthly in arrears from the assets of the Trust. Fees paid to the Responsible Entity as shown in the income statement amounted to $257,198 (2008: $357,328) for the Trust and for the consolidated entity.

Note 30 Related party disclosures (continued)

Key management personnel (continued)

No fees or benefits are paid by HLG to executive directors of the Company. These directors are compensated by the Manager for their services. For further details of the Manager's fees refer below and note 4. Non - executive directors of the Company are remunerated by the Company.

The Company Constitution provides that the non-executive directors of the Company are entitled to remuneration not exceeding an aggregate maximum sum of $600,000 per annum or such other maximum amount determined by the Company in a general meeting. The aggregate sum will be divided among the non-executive directors of the Company in such manner and proportion as agreed by the directors of the Company and, in default of agreement, equally.

The Company Constitution provides that the remuneration of an executive director will be determined by the directors. Remuneration may be by way of salary or participation in profits, but may not be by commission or a percentage of operating revenue. The executive directors of the Company will not receive directors' fees from the Company. They are employees of or contractors to the Manager and will be remunerated in that capacity. The structure of the Manager's fees and actual fees paid during the financial year as well as details of the remuneration of non-executive directors are set out below.

Except in circumstances prohibited by the *Corporations Act 2001*, the Company may pay a premium for a contract insuring a director against liability incurred by the person as a director. The directors may also be paid out of pocket expenses properly incurred by them in connection with the Company's business.

The compensation of the directors, chief financial officer and company secretary of the Company included in 'directors remuneration' in the income statement is a follows:

		SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS	
Name	Role	Salary $	Superannuation $	Total $
2009				
Colin Henson	Executive chairman*	142,000	30,780	172,780
Nerolie Withnall	Non-executive director	80,000	7,200	87,200
Greg Kern	Non-executive director	122,782	6,750	129,532
Peter Armstrong	CEO and executive director	-	-	-
Thomas Hedley	Non-executive director	-	-	-
Stephen Donnelly	CFO and executive director	-	-	-
David Charles	CFO	-	-	-
Russell Daly	Company secretary	-	-	-
		344,782	44,730	389,512
2008				
Colin Henson	Non-executive director	156,960	29,190	186,150
Nerolie Withnall	Non-executive director	63,332	4,950	68,282
Greg Kern	Non-executive director	15,000	1,350	16,350
Thomas Hedley	CEO and executive director	-	-	-
Stephen Donnelly	CFO and executive director	-	-	-
Russell Daly	Company secretary	-	-	-
		235,292	35,490	270,782

* Mr Henson was a non-executive director until 30 June 2009. He was subsequently appointed executive chairman.

Note 30 Related party disclosures (continued)

Material contracts with directors or related parties of directors

Development deed

The development deed ("the Deed") is dated 22 June 2007 and is between the Manager, Hedley Leisure & Gaming Property Services Limited (the "Sub-Custodian" of the Trust's assets), the Company, the Responsible Entity (the "Custodian") and TWH (Qld) Pty Ltd (the "Developer") of which Thomas Hedley is the sole director.

Under the Deed the Custodian and the Manager granted the Developer exclusive rights to undertake developments and retain the development proceeds in relation to surplus land (i.e. land additional to the land occupied by a pub) comprised in certain properties.

A development by the Developer of these properties may be by way of one or more of the following:

- A development comprising the construction of additional premises on the surplus land, for letting by the Trust;
- A development comprising subdivision and sale of surplus land;
- A development comprising the arrangement of tenants for the Trust of commercial premises which have already been constructed on surplus land; and
- A redevelopment of a pub to create additional or improved facilities.

The Developer will bear all expenses in relation to such developments and an independent valuation will be performed prior to any development being sold to HLG. If the market value of a pub improvement after completion of a development is more than the pre development market valuation of the relevant pub, then the Trust must pay the developer, either via the issue of stapled HLG securities or cash, an amount equal to the increase in the market value of the pub improvement. If the market value of a pub improvement after completion of a development is less than the pre development market valuation of the relevant pub, then the Developer must pay the Trust an amount equal to the decrease in the market value of the pub improvement.

The Developer will receive from the Trust and the Company for any development other than subdivision developments, that number of stapled securities calculated by dividing the valuation by the average current market price of the stapled securities for the 10 ASX trading days after the date of the valuation or if there are restrictions under the *Corporations Act* or the Listing Rules, cash equal to the valuation from the Manager (on behalf of the Trust) or a combination of cash and stapled securities.

No development activities were undertaken in respect of any relevant properties during the year and no stapled securities were issued to TWH (Qld) Pty Ltd in respect of developments during the year.

On 1 July 2008, HLG paid TWH (Qld) Pty Ltd $200,000 in lieu of future development rights for the surplus land at 213 Sheridan Street, Cairns.

On 12 March 2009 settlement occurred on 12 Evans Avenue, North Mackay. Since then ANZ Banking Group Limited ("ANZ") which holds a registered mortgage over the property has held the proceeds from the sale in escrow. Until HLG receives the settlement proceeds of $328,992 from ANZ, HLG is not in a position to pass on this economic benefit to TWH (Qld) Pty Ltd. To date ANZ has not finalised its position in relation to this matter.

As per a deed of release entered into between TWH (Qld) Pty Ltd and HLG on 3 April 2009, TWH (Qld) Pty Ltd waived any right to the economic benefits from 10 Evans Avenue and 2 Keller Street North Mackay in exchange for a payment of $750,000. This payment was made in cash to TWH (Qld) Pty Ltd on 9 May 2009. The Custodian and the Sub-Custodian had approved the payment and the deed of release on 2 April 2009.

At 30 June 2009, surplus land subject to the Deed was comprised in the following properties:

Bribie Island, Bellara, Queensland	Carrington, Atherton, Queensland	Coastwatchers, Trinity Beach, Queensland
Commonwealth Flats, Queensland	Coomera Lodge, Oxenford, Queensland	Everton Park, Queensland
Fairfield Waters, Queensland	Ferry Road, Southport, Queensland	Glades, Yamanto, Queensland
Kincumber, New South Wales	Kirra Beach, Kirra Beach, Queensland	McIvor Road, Bendigo, Victoria
Sundowner, Caboolture, Queensland		

Service agreements with HLG Management Pty Ltd

The Company and the Responsible Entity appointed HLG Management Pty Ltd ATF HLG Services Trust as Manager of HLG. The Manager is a wholly owned subsidiary of TWH (Qld) Pty Ltd, the director of which is Thomas Hedley. The Manager was appointed for an initial term of 10 years commencing from 16 May 2007.

Under the service agreements the Manager was entitled to the following fees:

Base fee

A base fee of 0.30% per annum (exclusive of GST) of the gross value of HLG's assets. The base fee is calculated monthly and payable half-yearly.

Performance fee

A performance fee of up to 0.25% of the gross value of HLG's assets based on the percentage by which the accumulated return on the stapled securities exceeds the performance of the S&P/ASX 200 Property Trust Accumulation Index for the corresponding period.

Note 30 Related party disclosures (continued)

Material contracts with directors or related parties of directors (continued)

Service agreements with HLG Management Pty Ltd (continued)

Transaction fee

The Manager is entitled to a 1.00% transaction fee of the purchase price on completion of real property acquisitions.

For details of actual fees paid to the Manager during the year refer to note 4.

The Manager was appointed to provide management, property management, acquisition, investment, advisory, and general administrative services (for example company secretarial, preparation of financial reports). It was also required to provide a Chief Executive Officer (Peter Armstrong) and Chief Financial Officer (David Charles) to HLG. Tom Hedley resigned from the position of Chief Executive Officer on 20 January 2009. Stephen Donnelly resigned from the position of Chief Financial Officer on 18 February 2009.

The Manager may appoint external consultants to provide aspects of its services. Such costs will be incurred by the Manager and not reimbursed by HLG.

During the half-year ended 31 December 2008, unauthorised payments amounting to $1.144 million were made to the Manager. The $1.144 million was reimbursed by the Manager to HLG in February 2009.

Termination of Management Agreement

On 1 July 2009 a termination agreement came into force which effectively internalised the operational management within HLG itself, thereby terminating the external management of HLG by the Manager. For further information refer to note 36.

Hedz Pty Ltd leases

Hedz Pty Ltd ("Hedz") is a company within the Hedley Group. The sole director is Thomas Hedley. All leases with Hedz are structured similarly and no more favourable than those with other major tenants of HLG. The following summarises the main features of Hedz leases:

Term	29 years with 2 additional terms of 15 years.
Annual rent adjustment	3.75% per annum at each anniversary date.
Market adjustment	At each option term renewal, market adjustment at a cap of 13.75% and floor of 3.75% of the last annual rent.
Operating expenses	The tenant must reimburse the landlord for rates and other periodic charges for the premises (other than land tax in Queensland), insurance premiums and landlord's industrial special risk policy and maintenance costs for common areas.
Licences	The tenant maintains use of gaming and liquor licences during the period that Hedz is the tenant. At expiry of the lease or in the event of default, all licences revert back to HLG.

The initial rent was determined in accordance with independent valuations performed prior to the leases being executed.

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with HLG in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Note 30 Related party disclosures (continued)

Other key management personnel transactions (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel and their related parties	Transaction	Note	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $	Transaction value year ended 30 June 2008 $	Balance outstanding as at 30 June 2008 $
Thomas W Hedley						
HLG Management Pty Ltd	Management and legal fees	(i)	4,811,686	1,565,588	4,341,670	1,801,175
Hedz Pty Ltd	Rent and outgoings	(ii)	10,276,956	336,842	14,804,749	-
Hedley Constructions Pty Ltd	Maintenance works on pubs and pub constructions	(iii)	1,231,098	-	892,629	-
TWH (Qld) Pty Ltd	Investment property acquisition	(iv)	-	-	31,456,611	-
TWH (Qld) Pty Ltd	Development deed payables	(iv)	1,192,519	328,991	1,663,450	-
TWH (Qld) Pty Ltd	Receivable	(v)	620,400	4,509,166	703,612	3,933,493
TWH (Investments) Pty Ltd	Investment property acquisition	(vi)	-	-	760,832	-
HPS (QLD) Pty Ltd	Maintenance works on pubs	(vii)	-	-	2,452	2,406
Hedley Developments Pty Ltd	Investment property acquisition	(iv)	-	-	4,186,794	-
Hedley Developments Pty Ltd	Rent	(viii)	2,640	4,840	4,800	2,200
Paradise Palms (NQ) Pty Ltd	Rent	(ix)	2,640	3,080	4,800	440
Tom Hedley Pty Ltd	Rent	(x)	15,590	15,590	-	-
Arumpin Pty Ltd	Insurance	(xi)	1,921	-	2,139	-
Greg Kern						
Kern Consulting Group	Consulting fees	(xii)	141,446	6,875	30,140	30,140

(i) HLG paid management fees and reimbursed legal fees to the Manager, HLG Management Pty Ltd, a company controlled by Thomas Hedley. All fees were determined pursuant to the service agreements. Management fees were paid in HLG stapled securities (note 28) and legal fees reimbursed in cash. Unauthorised payments to the Manager amounting to $1.144 million (2008: nil) were repaid by the Manager immediately after the Manager became aware of them.

(ii) Rent and outgoings were received from Hedz Pty Ltd, a company controlled by Thomas Hedley, in accordance with lease agreements. The lease terms and rates are based on market rates (see above). At reporting date, an allowance for impairment of the balance outstanding as at 30 June 2009 was raised in relation to Hedz Pty Ltd.

(iii) Payments were made to Hedley Constructions Pty Ltd, a company controlled by Thomas Hedley, for repairs to HLG properties, such as roof and air-conditioning repairs.

(iv) Inter-company transactions to support investment property acquisitions did not occur between TWH (Qld) Pty Ltd and HLG for the 2009 financial year. HLG made a payment to TWH (Qld) Pty Ltd for the surrender of the right to receive any future economic benefits of one development deed property and raised a payable invoice for another development deed property with payment pending on the receipt of the settlement funds from ANZ Banking Group Limited which is holding the settlement funds in escrow.

(v) TWH(Qld) Pty Ltd made payments of $51,700 per month in relation to an amount owing to HLG. As at 1 July 2009 receivers and managers were appointed to TWH (Qld) Pty Ltd. An allowance for impairment of the balance outstanding as at 30 June 2009 was raised.

Note 30 Related party disclosures (continued)

Other key management personnel transactions (continued)

(vi) During the 2008 year TWH Investments Pty Ltd assisted in the acquisition of the Brewhouse Hotels at Doonside and Belmore. These amounts were subsequently reimbursed.

(vii) HPS (QLD) Pty Ltd is a company controlled by Thomas Hedley. Minor payments were made to this company for repairs on HLG properties during 2008.

(viii) Hedley Developments Pty Ltd is a company controlled by Thomas Hedley. Rent was received from Hedley Developments Pty Ltd in accordance with a lease agreement. Rent was at market rates. An allowance for impairment of $4,840 was raised in relation to Hedley Developments Pty Ltd as at 30 June 2009.

(ix) Rent was received from Paradise Palms (NQ) Pty Ltd, a company in which Thomas Hedley has significant influence, in accordance with lease agreements. The lease terms and rates are based on market rates. An allowance for impairment of $3,080 was raised in relation to Paradise Palms (NQ) Pty Ltd as at 30 June 2009.

(x) Tom Hedley Pty Ltd is a company controlled by Thomas Hedley. Rent was received from Tom Hedley Pty Ltd in accordance with a lease agreement. The lease and rates are based on market rates. An allowance for impairment of $15,590 was raised in relation to Tom Hedley Pty Ltd as at 30 June 2009.

(xi) Arumpin Pty Ltd is a company controlled by Thomas William Hedley. The cost of public liability insurance was received by HLG in accordance with lease agreements.

(xii) General secretarial work performed by the Kern Consulting Group for HLG in relation to board meetings and ASX announcements.

In the 2008 year, prior to listing in August 2007, and in order to facilitate the subsequent lising of HLG, certain assets and liabilities of the Trust were "cloned" or transferred into two other trusts and the price at which units had been issued to the founder was settled. These transactions were with the founding unit holder which is an entity controlled by Thomas Hedley (note 24).

Options and rights over equity instruments

HLG did not issue any options during the year.

Movements in securities

The movements during the reporting period in the number of stapled securities in HLG held, directly or indirectly or beneficially, by each key management person, including their related parties, is as follows:

Director	Held on 1 July 2008	Additions	Distribution Reinvestment Plan	Held at 18 February 2009
Stephen Donnelly	577,975	60,383	69,486	707,844

Stephen Donnelly resigned as a director on 5 February 2009, and as Chief Financial Officer on 18 February 2009.

Director	Held on 1 July 2008	Additions	Distribution Reinvestment Plan	Held at 30 June 2009
Greg Kern	514,660	-	-	514,660

Director	Held on 1 July 2008	Disposals	Received indirectly via Manager's fees	Distribution Reinvestment Plan	Held at 23 June 2009
Thomas W Hedley	77,338,032	(5,367,544)	6,565,091	10,817,297	89,352,876

Thomas Hedley resigned as a director on 23 June 2009.

Note 30 Related party disclosures (continued)

Movements in securities (continued)

Director	Held on 20 January 2009	Additions	Held at 30 June 2009
Peter Armstrong	-	2,000,000	2,000,000

Peter Armstrong was appointed as Chief Executive Officer on 20 January 2009 and as a director on 5 February 2009.

Director	Held on 1 July 2008	Additions	Held at 30 June 2009
Colin Henson	-	1,250,000	1,250,000

Key management personnel and their related parties

Non-key management personnel disclosures – subsidiaries

Stapled or wholly owned entities	Transaction	Note	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $	Transaction value year ended 30 June 2008 $	Balance outstanding as at 30 June 2008 $
Hedley Leisure & Gaming Property Partners Limited	Investment Committee fees	(i)	300,000	-	300,922	-
Hedley Leisure & Gaming Property Partners Limited	Other listing costs	(i)	-	-	286,481	-
Hedley Leisure & Gaming Property Partners Limited	Inter-company payable	(ii)	609,062	22,415	-	-
Hedley Leisure & Gaming Property Services Limited	Poker machine entitlement acquisition	(iii)	-	-	1,121,923	-
Hedley Leisure & Gaming Property Services Limited	Inter-company payable	(iv)	91,477	92,536	-	-
HLG Issuer Finance Pty Ltd	Inter-company payable	(v)	9,175,664	745,378,034	56,400,000	754,000,000
HLG Issuer Finance Pty Ltd	Interest paid or payable	(v)	44,345,535	1,018,541	55,929,942	2,472,418
C.H. Trust	Inter-company receivable	(vi)	4,235,652	24,235,202	2,827,667	26,126,471

(i) Hedley Leisure & Gaming Property Partners Limited is a company whose share capital is stapled with the units of the Trust. The Trust paid Investment Committee fees during the financial year. No listing costs were incurred by the Company however the Trust paid for costs to assist the Company in meeting its operational outgoings.

(ii) Funding was provided by the Trust to Hedley Leisure & Gaming Property Partners Limited to assist the Company in the payment of operational expenses such as non executive directors wages.

(iii) Hedley Leisure & Gaming Property Services Limited is a wholly owned subsidiary of Hedley Leisure & Gaming Property Partners Limited. It acquired a number of gaming licences during 2008 which were funded via loans from the Trust.

(iv) Hedley Leisure & Gaming Property Services Limited is a wholly owned subsidiary of Hedley Leisure & Gaming Property Partners Limited. During 2009 the Trust provided assistance to the company to meet operational outgoings.

(v) HLG Issuer Finance Pty Ltd is a wholly owned subsidiary of Hedley Leisure & Gaming Property Partners Limited. HLG Issuer Finance Pty Ltd's sole purpose is the provision of debt finance to HLG as a group. As such HLG Issuer Finance Pty Ltd is the interested party to the ANZ JDSF and SDSF loan facilities (refer note 23) The bank loans have been on-lent by HLG Issuer Finance Pty Ltd to the Trust. Any bank interest has also been on-charged to the Trust. By virtue of this on-lending arrangement the terms and conditions of the loan to the Trust are equal to those of the ANZ JDSF and SDSF loan facilities. During 2009 the Trust made repayments in relation to an inter-company loan which has been on-lent by HLG Issuer Finance Pty Ltd to the Trust.

(vi) C.H. Trust is a wholly owned subsidiary of Hedley Leisure & Gaming Property Trust. Rent that is received by the C.H. Trust is paid across to the Trust to assist in meeting operational expenses. As at 30 June 2009 C.H. Trust has a unit-holder entitlement outstanding to the Trust of $24,235,202 (2008: $26,126,471). The unit-holder entitlement relates to unpaid distributions of C.H. Trust to the Trust. The unit-holder entitlement is re-payable on demand of the Trust and is classified as a current receivable in the balance sheet of the Trust.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008 - Restated	2009	2008 - Restated
	Note	$'000	$'000	$'000	$'000

Note 31 Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of HLG's financial assets represents the maximum credit risk exposure. HLG's maximum exposure to credit risk at the reporting date was:

Trade receivables	1,040	232	1,026	206
Other receivables	813	3,872	813	3,421
Receivables from subsidiaries	-	-	24,769	26,126
Cash and cash equivalents	10,258	10,862	9,514	10,269
Other investments	7,100	9,521	9,100	11,521
Interest rate swaps used for hedging	-	1,817	-	1,817
	19,211	26,304	45,222	53,360

There was no credit risk exposure to regions other than Australia.

Concentrations of credit risk

		CONSOLIDATED				PARENT ENTITY			
		Gross 2009	Impairment 2009	Gross 2008-Restated	Impairment 2008-Restated	Gross 2009	Impairment 2009	Gross 2008-Restated	Impairment 2008-Restated
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
HLG's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was as follows:									
Main tenants – rental receivables		1,263	339	151	-	1,254	339	125	-
Other tenants – rental receivables		210	94	81	-	206	94	81	-
		1,473	433	232	-	1,460	433	206	-

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows

	Note	2009 $'000	2008 - Restated $'000
Balance at 1 July		-	-
Impairment loss recognised - receivables	8, 12	433	-
Impairment loss - related party receivables	7	4,509	-
Balance at 30 June		4,942	-

Impairment losses

None of the Trust's and HLG's receivables are past due date at the reporting date. There was an allowance of $433,450 for impairment in respect of trade receivables as at the end of the year as a result of the appointment of administrators to a number of Tom Hedley's private companies. The majority of the impairment related to Hedz Pty Ltd (78%) a company that is a tenant of 12 pubs in the HLG portfolio. A smaller percentage of the impairment or 6% relates to Hedley Developments Pty Ltd and Tom Hedley Pty Ltd. All of these companies paid rent at market rates to HLG during the 2009 financial year. The remaining impairment loss of the total amount recognised was taken up in relation to the Heritage Hotel at Wilberforce as a result of the appointment of administrators to the lessee.

The impairment loss in relation to the related party receivable is in relation to TWH(QLD) Pty Ltd. Refer to Note 30 for further details.

Note 31 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. Due to breaches of HLG's debt facilities at 30 June 2009, 100% of the debt and interest rate swaps have been reclassified as current at that date (note 23).

CONSOLIDATED	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
2009	$'000	$'000	$'000	$'000	$'000	$'000
Secured bank loans	740,752	779,333	779,333	-	-	-
Trade and other payables	5,609	5,609	5,609	-	-	-
	746,361	784,942	21,142	15,278	748,522	-
2008 - Restated						
Secured bank loans	746,285	894,251	32,990	32,449	65,438	763,374
Trade and other payables	8,779	8,779	8,779	-	-	-
Distribution payable	16,467	16,467	16,467	-	-	-
	771,531	919,497	58,236	32,449	65,438	763,374

PARENT ENTITY	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
2009	$'000	$'000	$'000	$'000	$'000	$'000
Secured bank loans	740,752	779,333	779,333	-	-	-
Trade and other payables	5,575	5,575	5,575	-	-	-
	746,327	784,908	21,108	15,278	748,522	-
2008 - Restated						
Secured bank loans	746,285	894,251	32,990	32,449	65,438	763,374
Trade and other payables	8,744	8,744	8,744	-	-	-
Distribution payable	16,467	16,467	16,467	-	-	-
	771,496	919,462	58,201	32,449	65,438	763,374

The table above excludes interest rate swaps which are shown separately below.

Note 31 Financial instruments (continued)

Liquidity risk (continued)

The following table indicates the periods in which the cash flows associated with derivatives are expected to impact profit or loss:

CONSOLIDATED	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps: liability	84,395	104,327	104,327	-	-	-	-
2008 - Restated							
Interest rate swaps: assets	1,817	85,043	5,332	5,245	10,578	31,350	32,538

PARENT	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps: liability	84,395	104,327	104,327	-	-	-	-
2008 - Restated							
Interest rate swaps: assets	1,817	85,043	5,332	5,245	10,578	31,350	32,538

Market risk

Interest rate risk

Profile

Interest rate profile of the Trust and HLG interest-bearing financial instruments:

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 - Restated $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 - Restated $'000
Variable rate instruments					
Financial assets		-	1,817	-	1,817
Financial liabilities		(825,147)	(746,285)	(825,147)	(746,285)
		(825,147)	(744,468)	(825,147)	(744,468)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for the 2008 financial year, and is applicable to both the consolidated and the parent entities.

2009	Carrying amount	+ 100 bps of AUD IR Profit/(Loss)	+ 100 bps of AUD IR Equity	- 100 bps of AUD IR Profit/(Loss)	- 100 bps of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
Bank loans	(740,752)	(5,726)	-	5,726	-
Interest rate swaps: liabilities	(84,395)	47,689	-	(52,016)	-
	(825,147)	41,963	-	(46,290)	-

Note 31 Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

2008 - Restated	Carrying amount	+ 100 bps of AUD IR Profit/(Loss)	+ 100 bps of AUD IR Equity	- 100 bps of AUD IR Profit/(Loss)	- 100 bps of AUD IR Equity
	$'000	$'000	$'000	$'000	$'000
Bank loans	(746,285)	(6,835)	-	6,835	-
Interest rate swaps: assets	1,817	54,695	-	(59,145)	-
	(744,468)	47,860	-	(52,310)	-

Other market price risk

Sensitivity analysis - equity price risk

ALE Property Group securities are listed on the Australian Securities Exchange and are classified as an available for sale equity investment (note 19). A 2% increase in the ALE security price at reporting date would have increased equity by $142,008 (2008: $190,422) - an equal change in the opposite direction would have decreased profit by $142,008 (2008: $190,422). The analysis is performed on the same basis for 2008, and is applicable to both consolidated and parent entities.

The fair values of loans and borrowings are disclosed in note 23. The fair values of other financial assets and liabilities are the same as the carrying amounts for both HLG and the Trust.

	CONSOLIDATED 2009	CONSOLIDATED 2008 - Restated	PARENT ENTITY 2009	PARENT ENTITY 2008 - Restated
	$'000	$'000	$'000	$'000
Note 32 Cash flow information				
Reconciliation of cash flows from operating activities with loss attributable to stapled security holders				
Loss attributable to stapled security holders	(178,674)	(88,173)	(179,862)	(87,592)
Amortisation of borrowing costs	2,826	4,653	2,826	4,653
Fair value adjustments to derivative financial instruments	86,212	(20,620)	86,212	(20,620)
Fair value adjustment to investment property	73,116	85,487	73,927	84,947
One-off receipt CHG Australia Pty Ltd pub acquisition	-	2,690	-	2,690
Distributions from ALE securities	(484)	(3,401)	(484)	(3,401)
Gain on sale of poker machine entitlements	-	(155)	-	-
Loss on sale of investment property	1,101	21	1,101	21
Gain on disposal of investments	-	(5,182)	-	(5,182)
Impairment of deposit on investment property acquisition	100	-	100	
Impairment of non - current assets	24,037	14,720	24,155	14,602
Impairment of available for sale assets	2,421	17,718	2,421	17,718
Change in operating assets and liabilities				
(Increase) decrease in trade and other receivables	3,353	(2,895)	2,126	(2,895)
(Increase) decrease in prepayments	(40)	(1,450)	(40)	(1,450)
(Increase) decrease in other current assets	-	121	-	121
Increase (decrease) in payables	2,944	17,308	4,279	16,846
	16,912	20,842	16,761	20,458

Note 33 Segment information

Business segment

HLG operates solely in property investment and has no business segmentation.

Geographical segment

HLG owns property solely in Australia.

Note 34 Contingent liabilities

As at 30 June 2009, HLG had a legal claim of $2.6 million against it which relates to four contracts for the acquisition of two freehold pubs and two vacant blocks of land. HLG has denied liability and is defending the claim. The directors are of the opinion that no material loss will arise as a result of this action.

Note 35 Contingent assets

On 9 June 2009 HLG made a payment of $595,774 (note 8) including interest and penalties as a result of an assessment issued by the Victorian Office of State Revenue for stamp duty resulting from the conversion of HLG from a private to a public unit trust scheme prior to the Trust listing on the ASX on 2 August 2007. This payment has been expensed. An objection has been lodged and the directors are of the opinion that HLG has a strong case in appealing against the assessment and recovering the payment.

Note 36 Subsequent events

Post balance date events and developments include:

(a) Internalisation of operational management

Effective from 1 July 2009 HLG terminated the services agreement with HLG Management Pty Ltd (the "Manager") and established internal management within HLG with the creation of HLG Services Pty Limited which will provide the same services as provided by the previous manager under a new services agreement with the Responsible Entity.

The previous manager provided transitional services during July 2009.

(b) Extension of facilities

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

Also refer to note 1 (c) (ii) Going concern.

Note 37 Fund information

Registered office of the Responsible Entity

Permanent Investment Management Limited, Level 4, 35 Clarence, Sydney, NSW 2000

Registered office of the Company

Hedley Leisure & Gaming Property Partners Limited, Ground Floor, 312 St Kilda Road, Melbourne, VIC 3004

Principal place of business of the Company

Hedley Leisure & Gaming Property Partners Limited, Ground Floor, 312 St Kilda Road, Melbourne, VIC 3004

Hedley Leisure & Gaming Property Fund

DIRECTORS' DECLARATION

For The Year Ended 30 June 2009

In the opinion of the directors of Permanent Investment Management Limited, the Responsible Entity of Hedley Leisure and Gaming Property Trust (the "Trust"):

a) the financial statements and notes set out on pages 25 to 65, are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the Trust's and HLG's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

   ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b);

c) there are reasonable grounds to believe that the Hedley Leisure & Gaming Property Trust will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2009.

Signed in accordance with a resolution of the directors of Permanent Investment Management Limited.

Michael John Britton

Director (Permanent Investment Management Limited)

Dated the 29th day of September 2009

Sydney

INDEPENDENT AUDIT REPORT

To the security holders of the Hedley Leisure & Gaming Property Fund

Report on the financial report

We have audited the accompanying financial report of Hedley Leisure & Gaming Property Fund ("HLG" or "the consolidated entity"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration set out on pages 25 to 66. The consolidated entity comprises Hedley Leisure & Gaming Property Trust ("the Trust") and Hedley Leisure & Gaming Property Partners Limited and the entities each controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Permanent Investment Management Limited ("the Responsible Entity") are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the consolidated entity's and the Trust's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

Whilst we draw attention to the material uncertainty noted below, in our opinion:

(a) the financial report of Hedley Leisure & Gaming Property Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's and the Trust's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

INDEPENDENT AUDIT REPORT

To the security holders of the Hedley Leisure & Gaming Property Fund (continued)

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, we draw attention to note 1(c)(ii) Going concern in the financial statements. HLG is critically dependent on the debt facilities provided by its bank syndicate to be able to continue to operate as a going concern. Whilst HLG's facilities are due to expire in August 2010, at 30 June 2009 HLG was in breach of loan conditions and, to date, the bank syndicate has not waived the breaches.

As manager of HLG, HLG Services Pty Limited ("the Manager") is in discussions with the bank syndicate in order to re-negotiate and extend the facilities until October 2012. As outlined in note 1(c)(ii), the Manager anticipates a successful outcome to these negotiations and accordingly, the financial report has been prepared on a going concern basis. However, the outcome of these negotiations cannot presently be determined with certainty. The existence of this uncertainty may cast significant doubt about the consolidated entity's and the Trust's ability to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

Graham Coonan

Partner

Cairns

29 September 2009

Hedley Leisure & Gaming Property Partners Limited

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30 June 2009

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DIRECTORS' REPORT

For The Year Ended 30 June 2009

The directors of Hedley Leisure & Gaming Property Partners Limited (the "Company') present their report together with the financial report of the Company for the year ended 30 June 2009.

1 Directors and officers

The directors of Hedley Leisure & Gaming Property Partners Limited at any time during or since the end of the financial year are:

Name and position	Experience
Colin J Henson FCPA Dip Law (BAB), FCIS, FCIM, FAICD *Executive Chairman*	*Appointed 25 June 2007* Colin Henson's career exceeds 35 years in senior corporate positions with most of the last 20 years in fixed term company reconstruction roles. He has been involved in a range of industries including brewing; hotel; wine; oil and mineral drilling contracting; electronics; food additives; health services; business solutions; technology; bulk handling and complementary medicines. In addition to his involvement in HLG, Colin is currently the Non-Executive Chairman of Videlli Limited and Non- Executive Chairman of BHA Holdings Pty Ltd.
Nerolie Withnall BA, LLB, FAICD *Non-executive director*	*Appointed 25 June 2007* Nerolie is a director of Campbell Brothers Group, PanAust Limited, Computershare Limited and Alchemia Limited (all listed on the ASX). Nerolie is deputy president of the Takeovers Panel, a member of the Senate of the University of Queensland and of the Corporations and Markets Advisory Committee.
Greg Kern BCom, CA, IPA, MIIA(Aust), MAICD *Non-executive director*	*Appointed 3 April 2007* Greg is the Managing Director of Kern Consulting Group, a corporate advisory firm based in Queensland. Greg is a Chartered Accountant, a registered company auditor, a member of the Institute of Internal Auditors and the Australian Institute of Company Directors. Greg is currently a Non-Executive Director of Early Learning Services Limited.
Peter Armstrong MBA, Dip. Mgmt Studies *CEO and executive director*	*Appointed 5 February 2009* Peter Armstrong has extensive experience and a successful track record in senior management, hotel management, business acquisitions, property development, supply chain management and general business management. His most recent position prior to HLG was as General Manager of Hotels in the Coles Liquor Group Division where Peter grew the business from 23 hotels to approximately 100 hotels plus in excess of 225 retail outlets. Peter has industry experience in the office supplies, general merchandise and apparel, building and construction, food, hospitality and general retail sectors.
Thomas W Hedley *Former CEO and executive director*	*Resigned 23 June 2009*
Stephen Donnelly BCom, CPA *Former CFO and executive director*	*Resigned as director 5 February 2009*
David Charles B.Ec., CA	*Appointed 1 April 2009* David Charles is an experienced Chartered Accountant with 20 years experience in the accounting and audit, financial services, aviation and retail sectors. David commenced his career with Touche Ross in 1989 and has held senior positions in a number of large companies including Citibank in London, Ansett Australia, ANZ Bank and the Spotless Group. Immediately prior to joining HLG as Chief Financial Officer David spent 5 years with the Coles Group including 4 years within the Liquor and Hotels division in senior Finance and Business Management roles.

Company secretary

Mr Russell Daly, CPA was appointed company secretary 3 April 2007. Mr Daly is a senior manager at the Kern Consulting Group, Cairns.

1 Directors and officers (continued)

Directors and officers meetings

The number of directors' meetings and committee meetings attended by each of the directors of the Company during the financial year are:

	Board of directors meetings		Audit committee meetings		Remuneration committee meetings	
	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend
Colin Henson	16	16	7	7	1	1
Nerolie Withnall	16	16	7	7	1	1
Greg Kern	16	16	7	7	1	1
Peter Armstrong (appointed 20 January 2009)	7	7	2	2	1	1
Thomas Hedley (resigned 23 June 2009)	13	14	-	-	1	1
Stephen Donnelly (resigned 5 February 2009)	9	9	5	5	1	1

2 Principal activity

The shares in the Company are stapled to the units of the Hedley Leisure & Gaming Property Trust (the "Trust") such that the shares and the units cannot be traded separately. The Company, the Trust and their controlled entities comprise Hedley Leisure & Gaming Property Fund ("HLG"). The Company was incorporated to undertake property developments for the Hedley Leisure & Gaming Property Fund, which was listed on the Australian Securities Exchange ("ASX") on 2 August 2007. As at 30 June 2009 no property developments had commenced. A wholly owned subsidiary, HLG Issuer Finance Pty Ltd, has borrowed funds from the ANZ Banking syndicate and on - lent those funds to the Trust.

3 Significant changes in state of affairs

HLG's debt facilities are subject to a number of covenants. On 1 July 2009 administrators were appointed to Hedz Pty Ltd, one of HLG's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of the loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratios (LVR) requirements under the existing facilities were breached at 30 June 2009. At 30 June 2009, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches result in the bank syndicate having the right to require immediate repayment of the entire outstanding debt. To date, the bank syndicate has not waived the breach, but has also given no indication that it will exercise its right under the loan agreements. Accordingly, 100% of the debt facility has been reclassified as current at 30 June 2009.

There were no other significant changes in the state of the affairs of the Company during the financial year.

4 After balance date events

Effective from 1 July 2009 the Responsible Entity of the Hedley Leisure & Gaming Property Trust and the Company terminated the services agreement with HLG Management Pty Ltd (the "Manager") and established internal management within HLG with the creation of HLG Services Pty Ltd which will provide the same services as provided by the previous manager under a new services agreement with the Responsible Entity and the Company. The previous manager provided transitional services during July 2009.

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG and the Company. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

The directors are not aware of any other matter or circumstance occurring after balance date which may affect the Company's operations, the results of these operations or the state of affairs of the Company.

5 Likely developments

The directors are not aware of any future developments likely to materially affect the results of the Company.

6 Dividends

No dividend was paid or declared during the financial year ended 30 June 2009.

7 Review of results and operations

The Company has not commenced its principal activity. The Company recorded a consolidated net loss of $218,397 after providing for income tax of $23,303.

8 Remuneration report (audited)

The remuneration report includes the following details:

8.1 Principles of remuneration

8.2 Key management personnel remuneration

The information provided in this report includes remuneration disclosures required under AASB 124 – Related Party Disclosures and is audited.

8.1 Principles of remuneration

The Company Constitution provides that the non-executive directors of the Company are entitled to remuneration not exceeding an aggregate maximum sum of $600,000 per annum or such other maximum amount determined by the Company in general meeting. The aggregate sum will be divided among the non-executive directors of the Company in such manner and proportion as agreed by the directors of the Company and, in default of agreement, equally.

The Company Constitution provides that the remuneration of an executive director will be determined by the directors. Remuneration may be by way of salary or participation in profits, but may not be by commission or a percentage of operating revenue. The executive directors of the Company will not receive directors' fees from the Company. They are employees of or contractors of the Manager and will be remunerated in that capacity. HLG Management Pty Ltd was the Manager until 30 June 2009. Effective 1 July 2009, the service agreements with HLG Management Pty Ltd were terminated and HLG Services Pty Ltd, a wholly owned subsidiary of the Company, was appointed the Manager. During the year no Manager fees were paid from the assets of the Company.

Except in circumstances prohibited by the *Corporations Act 2001*, the Company may pay a premium for a contract insuring a director against liability incurred by the person as a director. The directors may also be paid out of pocket expenses properly incurred by them in connection with the Company's business.

8.2 Key management personnel remuneration

Remuneration amount

The details of the key management personnel remuneration are set out in the table below for the current financial year. Performance bonuses are not paid as per the Company's executive remuneration policy.

2009		SHORT TERM EMPLOYEE BENEFITS	POST EMPLOYMENT BENEFITS	
Name	Role	Salaries $	Superannuation $	Total $
Colin Henson	Executive chairman*	142,000	30,780	172,780
Nerolie Withnall	Non-executive director	80,000	7,200	87,200
Greg Kern	Non-executive director	122,782	6,750	129,532
Peter Armstrong	CEO and executive director	-	-	-
David Charles	CFO	-	-	-
Thomas Hedley	Non-executive director	-	-	-
Stephen Donnelly	CFO and executive director	-	-	-
Russell Daly	Company secretary	-	-	-
		344,782	44,730	389,512
2008				
Colin Henson	Non-executive director	156,960	29,190	186,150
Nerolie Withnall	Non-executive director	63,332	4,950	68,282
Greg Kern	Non-executive director	15,000	1,350	16,350
Thomas Hedley	CEO and executive director	-	-	-
Stephen Donnelly	CFO and executive director	-	-	-
Russell Daly	Company secretary	-	-	-
		235,292	35,490	270,782

* Mr Henson was a non-executive director until 30 June 2009. He was subsequently appointed executive chairman.

9 Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

10 Insurance of officers

Indemnification

Under the Company's Constitution, current and former directors and secretaries are indemnified to the extent permitted by law and subject to restrictions in section 199A of the *Corporations Act 2001* for any liability incurred by that person as an officer of the Company and any reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

Under the services agreement the Company indemnifies the Manager for any liabilities, direct losses and other amounts suffered or incurred by the Manager, its related bodies corporate or any of their respective officers, employees or agents or any other person engaged or appointed by the Manager in exercising the Manager's powers or performing the Manager's duties under the services agreement.

The auditors of the Company are in no way indemnified out of the Company's assets. No insurance premiums were paid from the assets of the Company during the year to insure directors or officers of the Company.

11 Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 74.

12 Rounding of amounts

Hedley Leisure & Gaming Property Partners Limited is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors of Hedley Leisure & Gaming Property Partners Limited.

Colin Henson

Director (Hedley Leisure & Gaming Property Partners Limited)

Dated this the 29th day of September 2009

Sydney

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the *Corporations Act 2001* to the directors of Hedley Leisure & Gaming Property Partners Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Hedley Leisure & Gaming Property Partners Limited for the financial year ended 30 June 2009 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Graham Coonan

Partner

Cairns

29 September 2009

Hedley Leisure & Gaming Property Partners Limited
CONSOLIDATED INCOME STATEMENTS
For The Year Ended 30 June 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
REVENUE					
Rent from gaming licences		80	44	-	-
Interest received	3	44,346	55,930	-	-
Interest from cash deposits		-	1	-	-
Borrowing costs recovered	3	479	10,613	-	-
Other revenue		300	275	300	275
Total revenue		45,205	66,863	300	275
OTHER INCOME					
Gain on disposal of gaming licences		-	155	-	-
Total other Income		-	155	-	-
Total revenue and other income		45,205	67,018	300	275
EXPENSES					
Directors' remuneration	18	389	271	389	271
Finance costs	3	44,826	66,544	1	1
Other expenses	4	185	66	183	41
Total expenses		45,400	66,881	573	313
Profit/(loss) before income tax		(195)	137	(273)	(38)
Income tax expense	5	(23)	(58)	-	-
Profit/(loss) attributable to shareholders		(218)	79	(273)	(38)

	Note	cents	cents
Basic and diluted earnings/(loss) per share	6	(0.14)	0.06
Dividends paid or payable per share		-	-

The above consolidated income statements should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Partners Limited

CONSOLIDATED BALANCE SHEETS

For The Year Ended 30 June 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	7	54	23	14	4
Trade and other receivables	8	1,019	18,483	-	1,451
Total current assets		1,073	18,506	14	1,455
Non-current assets					
Intangible assets	9	-	1,337	-	-
Trade and other receivables	8	745,493	737,990	64	-
Total non-current assets		745,493	739,327	64	-
TOTAL ASSETS		746,566	757,833	78	1,455
LIABILITIES					
Current liabilities					
Trade and other payables	11	1,076	3,485	52	1,170
Loans and borrowings	13	745,381	16,010	-	-
Current tax payables	12	23	58	-	-
Total current liabilities		746,480	19,553	52	1,170
Non-current liabilities					
Loans and borrowings	13	-	737,990	-	-
Total non-current liabilities		-	737,990	-	-
TOTAL LIABILITIES		746,480	757,543	52	1,170
NET ASSETS		86	290	26	285
EQUITY					
Share capital	14	339	325	339	325
Retained profits/(accumulated losses)	15	(253)	(35)	(313)	(40)
TOTAL EQUITY		86	290	26	285

	$	$
Net assets per share	0.00	0.00

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Partners Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Year Ended 30 June 2009

		CONSOLIDATED		PARENT ENTITY	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July		290	(114)	285	(2)
Profit/(loss) for the year		(218)	79	(273)	(38)
Shares issued during the year	14	14	325	14	325
Balance at 30 June		86	290	26	285

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Hedley Leisure & Gaming Property Partners Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended 30 June 2009

		CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		88	381	-	302
Payments to suppliers		(411)	(513)	(336)	(298)
Interest receipts		-	1	-	-
Interest paid		(1)	(1)	(1)	-
Net cash from operating activities	20	(324)	(132)	(337)	4
Cash flows from investing activities					
Proceeds from sale of gaming licences		-	155	-	-
Net cash from investing activities		-	155	-	-
Cash flows from financing activities					
Proceeds from related party		355	-	347	-
Net cash from investing activities		355	-	347	-
Net increase in cash held		31	23	10	4
Cash and cash equivalents at the beginning of the year		23	-	4	-
Cash and cash equivalents at the end of the year	7	54	23	14	4

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Drawdowns under the ANZ debt facilities were made directly by Hedley Leisure & Gaming Property Trust (the "Trust"). Interest payments due to ANZ under the facilities were also made directly by the Trust. Accordingly, there were no cash flows associated with these transactions attributable to the Company or the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 1 Summary of significant accounting policies

(a) Reporting entity

Hedley Leisure & Gaming Property Partners Limited (the "Company") is a company limited by shares under the *Corporations Act 2001*, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The shares in the Company are stapled to the units of the Hedley Leisure & Gaming Property Trust (the "Trust") such that the shares and units cannot be traded separately. The Trust is a registered managed investment scheme under the *Corporations Act 2001*. The responsible entity of the Trust is Permanent Investment Management Limited (the "Responsible Entity").

The stapled entity is referred to as Hedley Leisure & Gaming Property Fund ("HLG").

(b) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the board of directors on 29 September 2009.

(c) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to all controlled entities.

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(ii) Going concern

The financial statements have been prepared on a going concern basis but the following issues should be noted.

Breach of loan covenants

The Group's debt facilities are subject to a number of covenants and conditions. On 1 July 2009, administrators were appointed to Hedz Pty Ltd, one of the Trust's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratio ("LVR") requirements under the existing debt facilities were breached at 30 June 2009. At that date, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches resulted in the bank syndicate having the right to require immediate repayment of the entire outstanding debt. To date, although the bank syndicate has given no indication that it will exercise its rights under the loan agreements in this regard, it has not waived the breaches.

Accordingly, the full amounts owing at 30 June 2009 under the debt facilities have been reclassified as current liabilities at that date. This has resulted in the consolidated entity having an excess of current liabilities over current assets as at 30 June 2009 of $745.4m. The ability of the Group to pay its debts as and when they fall due, and hence to continue as a going concern, is dependent upon the continued support of the financiers. In addition, the Company is a guarantor to the debt facilities.

Possible extension of debt facilities

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG and the Company. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

Dependence on support of bank syndicate

Therefore, although the directors are confident that they are taking all appropriate measures and that they have the support of the bank syndicate, there is a significant risk that if negotiations with the bank syndicate are unsuccessful and/or if refinancing does not occur prior to the expiry of the current debt facilities in August 2010, repayment of those facilities may be required. In this event, it would be unlikely that HLG including the Group could continue as a going concern, impacting the Group's and the Company's ability to realise assets and settle liabilities in the normal course of operations and at the amounts stated in the financial report.

In the circumstances, no adjustments have been made in the financial report as at and for the year ended 30 June 2009 in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company and/or the Group not continue as a going concern.

Note 1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

(iii) Functional currency

The financial report is presented in Australian dollars, which is the Group's functional currency.

(iv) Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 19 - financial instruments.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with those adopted by the Group. In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains or losses and income or expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Gaming licences acquired separately from a pub freehold in New South Wales were held by Hedley Leisure & Gaming Property Services Limited (the "Custodian" of the Hedley Leisure & Gaming Property Trust's assets), a wholly owned subsidiary of the Company. The gaming licences are assigned to a pub and rent was received from the tenant of this pub separately for these gaming licences. Rental income from these licences is recognised on a straight line basis.

Interest revenue

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

(f) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and on unused tax losses. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability excluding a business combination that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Note 1 Summary of significant accounting policies (continued)

(g) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where equity instruments are issued as consideration, the market value of the stapled securities at the date of acquisition is used as fair value.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group in future periods, otherwise, the costs are expensed as incurred.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(j) Trade and other payables

Trade and other payables are measured at amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, when there is a contractual obligation to the Group.

(k) Loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for finance costs.

Interest bearing liabilities are classified as current liabilities unless an unconditional right exists at balance sheet date to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest expense is accrued at the contracted rate and disclosed as other payables.

(l) Intangible assets

Gaming licences are intangible assets with an indefinite useful life and are stated at cost less any impairment losses. Intangible assets with an indefinite useful life are reviewed annually for any indications of impairment and impairment losses are accounted for in accordance with accounting policy 1(m).

(m) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Note 1 Summary of significant accounting policies (continued)

(m) Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet ready for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and it fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

(o) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the effect of potentially dilutive shares.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) New standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing the financial report:

AASB 2008 - 5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Process* and 2008 - 6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASB resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendment.

AASB 2008 - 7 *Amendments to Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendment.

Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

Note 2 Financial risk management

Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Under the service agreements the Company and the Manager appointed an Investment Committee comprising the directors of the Company. HLG Management Pty Ltd was the Manager until 30 June 2009. Effective 1 July 2009, the service agreements with HLG Management Pty Ltd were terminated and HLG Services Pty Ltd , a wholly owned subsidiary of the Company, was appointed the Manager. The Investment Committee is an advisory committee, which liaises between the Manager and the Responsible Entity of the Hedley Leisure & Gaming Property Trust and the Company and the Manager. The Investment Committee receives all reports and recommendations of the Manager, and makes recommendations to the Responsible Entity and the Company.

Under the service agreements HLG and the Manager are required to establish and maintain risk management policies and procedures. Risk management policies and procedures are established by the Manager to identify and analyse the risks faced by the Company, the Group and HLG, to set appropriate risk limits, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Company's, the Group's and HLG's activities.

The Investment Committee and the Audit Committee oversee how the Manager monitors compliance with the Company's, the Group's and HLG's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company, the Group and HLG.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from the bank debt funds on-lent to the Hedley Leisure & Gaming Property Trust (the "Trust"). For the Company, additionally it arises from receivables due from subsidiaries.

The Group's credit risk is mainly limited to rent receivable for the gaming licences held by Hedley Leisure & Gaming Property Services Limited. There are currently no other transactions with customers outside the HLG group. The gaming licences are assigned to pubs with experienced operators in the pub industry with a strong financial position.

Additional credit risk arises from the fact that a subsidiary, HLG Issuer Finance Pty Ltd, is the counterparty to the Group's debt facilities with ANZ Banking Group Limited ("ANZ"). The funds were fully on-lent to the Trust. The debt facilities are secured over the assets of the Trust, however if the Trust were to default in its repayment of funds borrowed or in its interest payments HLG Issuer Finance Pty Ltd would be fully liable under the terms of the loan agreements. The risk is mitigated somewhat by the fact that both the Group and the Trust are under the same management and together form the Hedley Leisure & Gaming Property Fund by virtue of the Stapling Agreement between the Trust and the Company.

As indicated in note 1 (c) (ii), breaches of certain conditions of the debt facilities at 30 June 2009 give the bank syndicate the right to require immediate repayment of the entire outstanding debt. Should the bank syndicate require immediate repayment, then the Group would be reliant upon the repayment by the Trust of those amounts on-lent to it by the Group. To date the bank syndicate has not waived the breaches, but has also given no indication that it will enforce its rights under the loan agreements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is reliant on its debt facilities which are due to expire in August 2010.

As indicated under the previous heading "Credit Risk", breaches of certain conditions of the debt facilities at 30 June 2009 give the bank syndicate the right to require immediate repayment of the entire outstanding debt.

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG and the Company. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

Therefore, although HLG is confident that it is taking all appropriate measures and that it has the support of its bank syndicate, there is significant risk that if negotiations with its bank syndicate are unsuccessful and/or if refinancing does not occur prior to the expiry of the current debt facilities in August 2010, repayment of those facilities may be required.

Note 2 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to interest rate risk on its variable rate instruments. However interest charged on the loan facilities is fully on-charged to the Trust transferring any interest rate risk to the Trust.

Capital management

The Group regards its financial liabilities with ANZ as capital and monitors these to add value and address risks where appropriate.

The Group manages capital by monitoring repayments under the loan facilities from the Trust, and monitoring adherence to loan covenants. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
Note 3 Finance costs					
Finance costs		44,826	66,544	1	1
Less: Interest on-charged		(44,346)	(55,930)	-	-
Less: Borrowing costs recovered		(479)	(10,613)	-	-
Net finance costs		1	1	1	1

HLG Issuer Finance Pty Ltd holds syndicated debt facilities with ANZ. The funds from the debt facilities were fully on-lent to Hedley Leisure & Gaming Property Trust (refer credit risk note 2). Any finance costs charged by ANZ are fully on-charged to the Trust.

Note 4 Other expenses

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
Auditor's remuneration	19	7	16	2
Consultancy fees	142	30	142	30
Commission	-	5	-	-
Licence fees	-	12	-	-
Sundry expense	24	12	25	9
	185	66	183	41

Auditor's remuneration

	$	$	$	$
KPMG Australia				
- Audit of financial reports	19,000	7,000	16,000	2,000

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
Note 5 Income tax expense					
(a) The components of income tax expense comprise					
Current tax expense		23	58	-	-
Deferred tax expense		-	-	-	-
		23	58	-	-
(b) Prima facie tax on profit from ordinary activities					
Profit/(loss) from continuing operations before income tax		(195)	137	(273)	(38)
Tax at the Australian tax rate of 30%		(59)	41	(82)	(11)
Add: tax effect of:					
Non – deductible expenses		5	12	4	5
Deferred tax asset not yet recognised		84	6	83	6
Non assessable income		(7)	(1)	(5)	-
		23	58	-	-

Note 6 Earnings per share

	Note	CONSOLIDATED 2009	CONSOLIDATED 2008	EARNINGS PER SHARE 2009 cents	EARNINGS PER SHARE 2008 cents
Net profit/(loss) after tax attributable to shareholders		$(218,000)	$ 79,000		
Total shares on issue at year end		157,031,854	137,222,609		
Weighted average shares – basic		151,260,201	121,772,324	(0.14)	0.06
Weighted average shares – diluted		151,260,201	121,772,324	(0.14)	0.06

There have been no dilutive transactions involving shares or potential shares during the year or since the balance sheet date.

Note 7 Cash and cash equivalents					
Cash at bank and on hand		54	23	14	4
Note 8 Trade and other receivables					
Current					
Receivable due from Hedley Leisure & Gaming Property Trust		1,019	18,483	-	-
Receivables due from Hedley Leisure & Gaming Property Services Ltd		-	-	-	1,451
		1,019	18,483	-	1,451
Non – current					
Receivable due from Hedley Leisure & Gaming Property Trust		745,493	737,990	64	-
		745,493	737,990	64	-

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
Note 9 Intangible assets					
Gaming licences at cost		-	1,337	-	-
Movements					
Carrying amount at the beginning of the year		1,337	-	-	-
Additions		-	1,337	-	-
Transferred to Hedley Leisure & Gaming Property Trust		(1,337)	-	-	-
Carrying amount at the end of the year		-	1,337	-	-
		$	$	$	$
Note 10 Investments in subsidiaries					
Hedley Leisure & Gaming Property Services Limited		-	-	10	10
HLG Issuer Finance Pty Ltd		-	-	1	1
		-	-	11	11
		$'000	$'000	$'000	$'000
Note 11 Trade and other payables					
Trade payables		-	35	-	33
Payables due to Hedley Leisure & Gaming Property Trust		-	900	-	1,065
Other payables		1,076	2,550	52	72
		1,076	3,485	52	1,170
Note 12 Income tax					
Current					
Current income tax liability		23	58	-	-
Note 13 Loans and borrowings					
Current					
Bank loans		745,381	16,010	-	-
		745,381	16,010	-	-
Non-current					
Bank loans		-	737,990	-	-
		-	737,990	-	-

Bank loans refer to the Senior Debenture Subscription Facility ("SDSF") and Junior Debenture Subscription Facility ("JDSF") with the ANZ Banking Group Limited. All funds have been on-lent to the Hedley Leisure & Gaming Property Trust (the "Trust"). The debt facilities are secured over the assets of the Trust and any interest and other finance costs on the facilities are on-charged to the Trust on the same terms and conditions. Therefore, the Group on - charges any economic exposure to these loans, except to the extent that if the Trust were to default under the terms of the loan agreements. For full details of the SDSF and JDSF refer to the Annual Financial Report of the Hedley Leisure & Gaming Property Fund ("HLG").

Note 13 Loans and borrowings (continued)

Reclassification of debt as current

The Group's debt facilities are subject to a number of covenants. On 1 July 2009 administrators were appointed to Hedz Pty Ltd, one of the Trusts 's tenants. It is possible that Hedz Pty Ltd may have been insolvent at 30 June 2009 resulting in a breach of the loan conditions. Also, given the significant reductions in hotel values during the years ended 30 June 2008 and 2009, loan to value ratios (LVR) requirements under the existing facilities were breached at 30 June 2009. At 30 June 2009, the LVR on the combined senior and junior debt facilities was 76.4% against a maximum allowed of 75%. These breaches result in the bank syndicate having the right to require immediate repayment of the entire outstanding debt. To date, the bank syndicate has not waived the breach, but has also given no indication that it will exercise its right under the loan agreements. Accordingly, 100% of the debt facility has been reclassified as current at 30 June 2009.

Note 14 Share capital

During the current and the previous financial year the following movements in issued capital occurred:

	2009		2008	
	No of shares	$	No of shares	$
On issue at the beginning of the year	137,222,609	324,597	67,874,065	100
Manager's fees	6,565,091	4,850	894,361	3,007
Script acquisition of hotels[1]	-	-	21,103,634	105,518
ASX Capital raising – ASX float[1]	-	-	39,571,340	197,857
Distribution reinvestment plan	13,244,154	9,778	7,779,209	18,115
On issue at the end of the year	157,031,854	339,225	137,222,609	324,597

The following rights are attached to each share:

- the right to receive notice of and to attend and vote at all general meetings of the Company;
- the right to receive dividends and;
- in a winding up or reduction of capital, the right to participate equally in the distribution of the assets of the Company (both capital and surplus), subject to any amounts unpaid on the share and, in case of a reduction, to the terms of the reduction.

The Company does not have authorised capital or par value in respect of its issued shares.

[1] The cost of these transactions has been reimbursed to the Company by the Trust.

		CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Note 15 Retained profits / (accumulated losses)					
Balance at the beginning of the year		(35)	(114)	(40)	(2)
Net profit / (loss) attributable to shareholders		(218)	79	(273)	(38)
Balance at the end of the year		(253)	(35)	(313)	(40)

Note 16 Segment information

Business segment

The Company operates solely in the property industry and has no business segmentation.

Geographical segment

The Company operates solely within Australia.

Note 17 Group entities

Subsidiaries	Country of incorporation	Ownership interest
Hedley Leisure & Gaming Property Services Limited	Australia	100%
HLG Issuer Finance Pty Ltd	Australia	100%
C.H. Properties Pty Ltd	Australia	100%

Note 18 Related party disclosures

The following were key management personnel of the Group at any time during the reporting period and unless otherwise stated were key management personnel for the entire period:

Non-executive directors
Colin Henson*
Nerolie Withnall
Greg Kern

Executive directors
Peter Armstrong
Stephen Donnelly (resigned 5 February 2009)
Thomas Hedley (resigned 23 June 2009)

Company secretary
Russell Daly

Chief financial officer
David Charles

* Mr Henson was appointed Executive Chairman subsequent to 30 June 2009.

Key management personnel compensation

No fees or benefits are paid by the Group to executive directors, the company secretary and the CFO of the Company. These directors are compensated by the Manager for their services.

The non-executive directors, company secretary and CFO's compensation is included in 'directors remuneration' in the income statement is as follows:

		CONSOLIDATED		PARENT ENTITY	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Short-term employee benefits		344	235	344	235
Post-employment benefits		45	36	45	36
		389	271	389	271

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation as permitted by *Corporations Regulation* 2M.3.03 is provided in the remuneration report section of the directors' report.

Other key management personnel transactions

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Note 18 Related party disclosures (continued)

Other key management personnel transactions (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel and their related parties	Transaction	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $	Transaction value year ended 30 June 2008 $	Balance outstanding as at 30 June 2008 $
Greg Kern					
Kern Consulting Group	Consulting fees	109,947	6,250	30,140	30,140

General secretarial work performed by the Kern Consulting Group for the Company and the Group in relation to board meetings and ASX announcements.

Options and rights over equity instruments

The Company did not issue any options during the year.

Movements in shares

The movement during the reporting period in the number of shares held in the Company, directly or indirectly or beneficially, by each key management person, including their related parties, is as follows:

Director	Held on 1 July 2008	Additions	Distribution Reinvestment Plan	Held at 18 February 2009
Stephen Donnelly	577,975	60,383	69,486	707,844

Stephen Donnelly resigned as a director on 5 February 2009 and as Chief Financial Officer on 18 February 2009.

Director	Held on 1 July 2008	Received indirectly via Manager's fees	Distribution Reinvestment Plan	Held at 30 June 2009
Greg Kern	514,660	-	-	514,660

Director	Held on 1 July 2008	Disposals	Received indirectly via Manager's fees	Distribution Reinvestment Plan	Held at 23 June 2009
Thomas Hedley	77,338,032	(5,367,544)	6,565,091	10,817,297	89,352,876

Thomas Hedley resigned as a director on 23 June 2009.

Director	Held on 20 January 2009	Additions	Held at 30 June 2009
Peter Armstrong	-	2,000,000	2,000,000

Peter Armstrong was appointed as Chief Executive Officer on 20 January 2009 and appointed as a director on 5 February 2009.

Director	Held on 1 July 2008	Additions	Held at 30 June 2009
Colin Henson	-	1,250,000	1,250,000

Non-key management personnel disclosures – subsidiaries

HLG Issuer Finance Pty Ltd is a wholly owned subsidiary of the Company. HLG Issuer Finance Pty Ltd's sole purpose is the provision of debt finance to HLG as a group. As such HLG Issuer Finance Pty Ltd is the borrower of the ANZ JDSF and SDSF debt facilities (refer note 13). The bank loans have been on-lent by HLG Issuer Finance Pty Ltd to Hedley Leisure & Gaming Property Trust (the "Trust"). Any bank interest has also been on-charged to the Trust. Refer to Note 3 for total bank interest incurred and total interest on-charged to the Trust.

Note 18 Related party disclosures (continued)

Non-key management personnel disclosures – subsidiaries (continued)

The aggregate amounts recognised during the year relating to subsidiaries of the Company and stapled entities were as follows:

Stapled or wholly owned entities	Transaction	Note	Transaction value year ended 30 June 2009 $	Balance outstanding as at 30 June 2009 $	Transaction value year ended 30 June 2008 $	Balance outstanding as at 30 June 2008 $
Hedley Leisure & Gaming Property Trust	Investment Committee fees	(i)	300,000	-	300,922	-
Hedley Leisure & Gaming Property Trust	Inter-company payable/(receivable)	(ii)	609,062	22,415	(479,147)	(1,065,204)
Hedley Leisure & Gaming Property Trust	Listing costs	(ii)	-	-	286,481	-
Hedley Leisure & Gaming Property Services Limited	Inter-company receivable	(iii)	71,599	42,036	389,189	1,451,061

(i) Hedley Leisure & Gaming Property Trust's units are stapled with the shares of the Company. The Trust paid Investment Committee fees during the financial year.

(ii) Funding was provided by the Hedley Leisure & Gaming Property Trust to assist the Company in the payment of operational expenses such as non executive directors wages. No listing costs were incurred by the Hedley Leisure & Gaming Property Trust on behalf of the company for 2009.

(iii) Hedley Leisure & Gaming Property Services Limited is a wholly owned subsidiary of Hedley Leisure & Gaming Property Partners Limited. During 2009 assistance was provided to that company to meet operational outgoings.

Note 19 Financial instruments

Credit risk

Exposure to credit risk

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
The carrying amount of the Group's financial assets represents the maximum credit risk exposure. The Group's maximum exposure to credit risk at the reporting date was:					
Receivable due from Hedley Leisure & Gaming Property Trust		746,512	756,473	22	-
Receivable due from Hedley Leisure & Gaming Property Services Limited		-	-	42	1,451
Cash and cash equivalents		54	23	14	4
		746,566	756,496	78	1,455

There was no credit risk exposure to regions other than Australia.

Impairment losses

None of the Company's and Group's receivables are past due (2008: nil). There was no allowance for impairment in respect of trade receivables as at the end of the year or during the year. The Group did not record any bad debts during the year.

Note 19 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

CONSOLIDATED	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
2009						
Secured bank loans	745,381	779,333	779,333	-	-	-
Trade and other payables	57	57	57	-	-	-
Accrued interest payable	1,019	1,019	1,019	-	-	-
	746,457	780,409	780,409	-	-	-
2008						
Secured bank loans	754,000	894,251	32,990	32,449	65,438	763,374
Trade and other payables	112	112	112	-	-	-
Accrued interest payable	2,473	2,473	2,473	-	-	-
Payable due to Hedley Leisure & Gaming Property Trust	900	900	900	-	-	-
	757,485	897,736	36,475	32,449	65,438	763,374

PARENT ENTITY	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
2009						
Trade and other payables	52	52	52	-	-	-
	52	52	52	-	-	-
2008						
Trade and other payables	33	33	33	-	-	-
Payable due to Hedley Leisure & Gaming Property Trust	1,065	1,065	1,065	-	-	-
Other payables	72	72	72	-	-	-
	1,170	1,170	1,170	-	-	-

Note 19 Financial instruments (continued)

Market risk

Interest rate risk

Interest rate profile of the Group's interest-bearing financial instruments:

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Variable rate instruments				
Financial liabilities	(745,381)	(754,000)	-	-
	(745,381)	(754,000)	-	-

Cashflow sensitivity analysis for variable instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis as for the 2008 financial year.

CONSOLIDATED	Carrying amount	+ 100 bps of AUD IR	+ 100 bps of AUD IR	- 100 bps of AUD IR	- 100 bps of AUD IR
2009		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$'000	$'000	$'000	$'000	$'000
Bank loans	(745,381)	(5,726)	-	5,726	-
CONSOLIDATED					
2008					
Bank loans	(754,000)	(6,835)	-	6,835	-

As all interest in on charged to the Trust, the impact of any increase or decrease in interest rates will be offset by the same increase of decrease in interest on charged.

There are no variable rate instruments in the parent entity.

Note 20 Cash flow information

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Reconciliation of cash flows from operating activities with profit attributable to shareholders				
Profit/(loss) attributable to shareholders	(218)	79	(273)	(38)
Gain on sale of gaming licences	-	(155)	-	-
Investment Committee fees	(300)	-	(300)	-
Change in operating assets and liabilities				
Increase (decrease) in payables	194	(56)	236	42
	(324)	(132)	(337)	4

Note 21 Subsequent events

a) Internalisation of operational management

Effective from 1 July 2009 The Responsible Entity of Hedley Leisure & Gaming Property Trust and the Company terminated the services agreement with HLG Management Pty Ltd (the "Manager") and established internal management within HLG and the Group with the creation of HLG Services Pty Limited which will provide the same services as provided by the previous manager under a new services agreement with the Responsible Entity and the Company.

The previous manager provided transitional services during July 2009.

(b) Extension of facilities

Discussions with HLG's bank syndicate commenced in April 2009 for the extension of HLG's loan facilities beyond the current maturity of August 2010, until October 2012. The key terms of the loan facility extension are being negotiated and documentation of the new loan agreements is commencing. It is expected that finalisation of the new loan agreements will occur during the first half of the 2009/10 financial year.

The extension of the loan facility should provide security holders and potential investors greater certainty about the future viability of HLG and the Company. The new loan agreements will include higher interest rates, restrictions on distributions and a requirement for HLG to significantly reduce its loan balances over the next three years.

Note 22 Company information

Registered office

Hedley Leisure & Gaming Property Partners Limited
Kern Group,15 Lake Street, Cairns QLD 4870

Principal place of business

Hedley Leisure & Gaming Property Partners Limited
Ground Floor, 312 St Kilda Road, Melbourne VIC 3004

Hedley Leisure & Gaming Property Partners Limited

DIRECTORS' DECLARATION

For The Year Ended 30 June 2009

In the opinion of the directors of Hedley Leisure & Gaming Property Partners Limited (the "Company"):

a) the financial statements and notes set out on pages 75 to 94 and the remuneration disclosures that are contained in the Remuneration Report in section 8 of the Directors Report, set out on page 72, are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

   ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001;*

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b);

c) there are reasonable grounds to believe that Hedley Leisure & Gaming Property Partners Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2009.

Signed in accordance with a resolution of the directors of Hedley Leisure & Gaming Property Partners Limited.

Colin Henson

Director (Hedley Leisure & Gaming Property Partners Limited)

Dated this 29th day of September 2009

Sydney

INDEPENDENT AUDIT REPORT

To the shareholders of Hedley Leisure & Gaming Property Partners Limited

Report on the financial report

We have audited the accompanying financial report of Hedley Leisure & Gaming Property Partners Limited ("the Company"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 22 and the directors' declaration set out on pages 75 to 95 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1 (b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

Whilst we draw attention to the material uncertainty noted below, in our opinion:

(a) the financial report of Hedley Leisure & Gaming Property Partners Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, we draw attention to note 1(c)(ii) Going concern in the financial statements. The stapled entity, Hedley Leisure & Gaming Property Fund ("HLG") is critically dependent on the debt facilities provided by its bank syndicate to be able to continue to operate as a going concern. Whilst HLG's facilities are due to expire in August 2010, at 30 June 2009 HLG was in breach of loan conditions and, to date, the bank syndicate has not waived the breaches.

As manager of HLG, HLG Services Pty Limited ("the Manager") is in discussions with the bank syndicate in order to re-negotiate and extend the facilities until October 2012. As outlined in note 1(c)(ii), the directors anticipate a successful outcome to these negotiations and accordingly, the financial report has been prepared on a going concern basis. However, the outcome of these negotiations cannot presently be determined with certainty. The existence of this uncertainty may cast significant doubt about HLG's, and hence the Group's and the Company's ability to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

INDEPENDENT AUDIT REPORT

To the shareholders of Hedley Leisure & Gaming Property Partners Limited (continued)

Report on the remuneration report

We have audited the remuneration report included on page 72 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hedley Leisure & Gaming Property Partners Limited for the year ended 30 June 2009 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Graham Coonan

Partner

Cairns
29 September 2009

STAPLED SECURITY HOLDER INFORMATION

as at 30 June 2009

A Distribution of security holders

Size of holding	Number of stapled security holders
1 – 1,000	141
1,001 – 5,000	1,252
5,001 – 10,000	647
10,001 – 100,000	714
100,001 and over	61
Total	2,815

The stapled securities are listed on the Australian Securities Exchange ("ASX") and each stapled security comprises one unit in Hedley Leisure & Gaming Property Trust and one share in Hedley Leisure & Gaming Property Partners Limited.

B 20 largest security holders

Rank	Size of holding	Number of stapled securities	% of issued capital
1	TWH (Qld) Pty Ltd	82,787,785	52.72
2	HLG Management Pty Ltd	6,565,091	4.18
3	Donnelly Discretionary Trust	5,189,943	3.31
4	Ms Jeanine Lee Cooke	5,085,581	3.24
5	Merrill Lynch (Australia) Nominees Pty Ltd	4,914,849	3.13
6	Greenacres Holdings Pty Ltd	4,746,023	3.02
7	K Biggs Enterprises Pty Ltd	2,131,354	1.36
8	Hautacam Investments Pty Ltd	2,000,000	1.27
9	Connaught Place Investments Pty Ltd	1,250,000	0.80
10	Marnatro Pty Ltd	1,060,677	0.68
11	Argus Group Pty Ltd	1,000,000	0.64
12	Mrs Jean Marion Barry & Mr David Richard Barry	1,000,000	0.64
13	Mr Shaun Andrew Podbury & Ms Verena Rae Evans	834,000	0.53
14	Mr David Wayne Row	820,000	0.52
15	Donnelly Family Superannuation Fund	707,844	0.45
16	G S Adkins Superannuation Pty Ltd	564,195	0.36
17	Kern Financial Services Pty Ltd	514,660	0.33
18	Citicorp Nominees Pty Ltd	505,339	0.32
19	RBC Dexia Investor Services Australia Nominees Pty Ltd	435,350	0.28
20	Ellum Pty Ltd	318,622	0.20
		122,431,313	77.98

C Substantial holders

Size of holding	Number of stapled securities	% of issued capital
TWH (Qld) Pty Ltd	82,787,785	52.72

D Voting rights

On a show of hands every stapled security holder present in person or by proxy shall have one vote and upon a poll each stapled security will have one vote.

CORPORATE DIRECTORY

Responsible Entity	**Permanent Investment Management Limited** 35 Clarence Street Sydney NSW 2000
Registered office of HLG	Ground Floor, 312 St Kilda Rd Melbourne, VIC, 3004
Independent Valuer	**CB Richard Ellis** Level 33, 1 Eagle Street Brisbane QLD 4000
Taxation Advisor	**BDO Kendalls** Cnr Aplin & Sheridan Street Cairns QLD 4870
External Auditors	**KPMG** 15 Lake Street Cairns QLD 4870
Registry	**Computershare** Level 2, 60 Carrington Street Sydney NSW 2000 GPO Box 7115 Sydney NSW 2001
Legal Advisor	**Minter Ellison Lawyers** Aurora Place 88 Phillip Street Sydney NSW 2000