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TO: ASX
COMPANIES ANNOUNCEMENT
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FROM: RUSSELL DALY

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PAGES: 5 (INCL THIS ONE)

RE: CHAIRMAN'S ADDRESS
HLG AGM

DATE: 26 NOVEMBER 2009

REF: CO

CC:

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

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Please find **attached** the Chairman's Address for the AGM held today, 26 November 2009 at 12.00pm regarding Hedley Leisure and Gaming Property Fund (ASX Code: HLG).

Should you have any questions in regard to this matter, please do not hesitate to contact me.

Yours faithfully

RUSSELL DALY
Company Secretary

**HEDLEY LEISURE & GAMING PROPERTY FUND**

26th November, 2009

ASX Announcement

Announcement No 05/09

The Manager

Corporate Announcement Office

Australian Securities Exchange

HLG PROPERTY FUND**ANNUAL GENERAL MEETING 2009****CHAIRMAN'S ADDRESS**

Executive Chairman – Colin Henson

Good afternoon Ladies and Gentlemen and welcome to the 2009 Annual General Meeting of Hedley Leisure & Gaming Property Partners Limited (which I will call **the Company**), and a meeting of the Hedley Leisure & Gaming Property Trust (which I will call **the Trust**).

Executive Chairman's address

I will now make some remarks as Executive Chairman of the Company.

The Fund's lawyers have advised that we must include the disclaimer shown on the screen.

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

Ladies & Gentlemen,

The Financial Year ended 30th June, 2009 was pretty turbulent for the worldwide financial system, the Australian economy and for the HLG Property Fund.



HEDLEY LEISURE & GAMING PROPERTY FUND

The global and domestic financial problems, pub smoking bans, regulatory changes affecting pubs all combined to undermine a healthy and growing pub industry. The HLG Property Fund suffered significantly in terms of the value of its pubs and consequently, in the view of many stakeholders, the status of the HLG Property Fund diminished.

However, in recent months we have made good progress in rebuilding a positive image for HLG. The ideal of pubs as meeting places and leisure centres is being restored, proactive publicans are taking the steps necessary to ensure that they are running enjoyable, friendly and efficient establishments. That responsible and positive attitude will undoubtedly underpin the expected future Growth cycle for pubs. It should never be forgotten that PUBS are an integral part of the culture of Australians. Historically, they are places where we can meet and dine with friends, celebrate, raise a glass, relax and have fun.

The Management Team at HLG has been fabulous through very difficult circumstances. I have nothing but the highest praise for our MD/CEO Peter Armstrong who has steered the company through an extraordinary period and he has been ably supported by David Charles as Chief Financial Officer. Although David was introduced into the Team early in 2009, he has proven himself as a great contributor and Team player.

Recent achievements included the establishment of management within the Fund resulting in a cost saving of more than \$20 million compared with what it would have cost the Fund if the previous external Management structure was allowed to continue for its remaining 8 year term. By having the operations of the Fund managed internally, the strategy and direction are much more efficiently controlled by the responsible and capable management that is now in place.

We also take pride in putting forward for your consideration today, the proposed new name for the company and the Fund. It is important for the future development of The Fund that it establishes a new identity. Under the proposal, the name Hedley Leisure & Gaming Property Partners Limited will disappear and will be replaced by Redcape Property Fund Limited. Consequential changes will be made to the Trust and to The Fund. Under the new brand name, we propose to develop an image as a respected and highly competent asset manager within a Trust Structure. Peter Armstrong will provide you with further details of the new name and brand image shortly.

I turn now to other important matters:

- As at 30 June 2009, the Bank Debt was approximately \$741 million compared to investment property values of about \$962 million, the ratio of Debt to Total Assets was then and still is too high. Mind you, the problem was created by the need to impair or reduce the book value of pub assets by almost \$200 million over the last 2 years as part of the meltdown in property values that we and many property related organisations suffered; and



HEDLEY LEISURE & GAMING PROPERTY FUND

- For a number of months, HLG Management has been working with the 9 Member HLG Bank Syndicate toward the extension of the Bank Debt until October, 2012. I am pleased to announce today that all material terms relating to that extension have been agreed in principle with the banks. We expect that Bank Credit approval and formal documentation will be finalised during December. The Board is not aware of any reason why the extension will not proceed.

It is emphasised that the costs associated with the extension of the Bank Debt will be high and the terms of the extension including ongoing debt service fees and debt reduction requirements for the next three years will preclude any Distributions to stapled Security holders for that period.

Given reasonable prevailing economic conditions and market circumstances for the sale of pubs, it is possible that the Fund could achieve an acceptable Balance Sheet and Debt to Asset Ratio within the three year period. If that occurs, and subject to the concurrence of the financiers to the Fund, Distributions could be reinstated. The Boards of HLG Property Partners Limited and PIML as Responsible Entity believe that having regard to the affects of the Global and Domestic financial situation, the best strategy for HLG is to reduce debt by the orderly sale of non-strategic assets and a possible capital raising at an appropriate time. This approach is consistent with the Bank requirements under the extension of the Loan Facility.

In line with this approach, the Board has recently announced the sale of pubs to a value of approximately \$36.3 million which will reduce the Bank Debt to around \$705 million. These sales were achieved at values averaging 14% above the June 2009 book values. The sales of pubs will continue in a measured way.

Although pub property values have been under pressure in recent times, the underlying operations of the Fund remain strong.

As a pub property Trust, HLG is not directly involved in pub operations. The business of HLG is confined to being the owner of Pubs and Gaming and Liquor Licences which are leased to three major tenants. As at 30th June 2009, the tenants were National Leisure and Gaming Limited (32 Pubs), Hedz Pty Ltd (now in Receivership, 12 Pubs), and Wesfarmers Limited (Coles, 46 Pubs). There are other associated shops under lease.

The leases of the HLG pubs will run on average for the next 16 years and will be subject to 3.75% average annual rent increases. There are no arrears of rent from the major tenant groups.

Naturally, it would be preferable for HLG to enjoy a market perception of a strong tenant base. As mentioned, all rents are up to date and we otherwise have no real problems with the current tenants, but the adverse circumstances of two of HLG's major tenants give rise to concerns of instability. That being the case, management



HEDLEY LEISURE & GAMING PROPERTY FUND

and its advisers are continuing discussions with third parties and these discussions may result in a significant change to the structure of the HLG tenants.

I will now invite **Peter Armstrong**, as the Fund's Managing Director and CEO to make some remarks.

Colin Henson
Executive Chairman
Hedley Leisure and Gaming Property Partners Limited