

The Manager Companies  
Australian Stock Exchange Limited  
Company Announcements Office  
Level 4, 20 Bridge St  
SYDNEY NSW 2000

10 March, 2008

Dear Sir

**Response to ASX Price Query letter dated 5 March 2008**

We refer to your "Price Query" letter dated 5 March 2008 addressed to Hedley Leisure & Gaming Property Fund (comprising Hedley Leisure & Gaming Property Partners Limited and the Hedley Leisure & Gaming Property Trust, together 'HLG'), and reply as follows:

ASX Query 1 Is the Group aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Group?

**Response.** No. HLG is not aware of any information that has not been announced which, if known, could be an explanation for the recent trading in the securities of the Group.

ASX Query 2 If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made.

**Response.** Not applicable

ASX Query 3 Is there any other explanation that the Group may have for the price change in the securities of the Group?

**Response** HLG became aware on 5 March 2008 of a rumour that HLG may be, or could shortly become, in breach of covenants in its bank debt facilities. That rumour is baseless, but has been repeated in the media. In the current market environment that rumour could have impacted the price of HLG's Stapled Securities notwithstanding that HLG's announcement to the market on 5 March 2008 headed 'Interest Rate Hedge and HLG Maiden Distribution for 6 months ending 31 December, 2007' which confirmed that on completion of the transaction HLG's gearing will be reduced by 3.75% to a level which is lower than the gearing in the initial Offer Document.

HLG's bank debt facilities contain covenants based on Loan to Valuation Ratios and Interest Coverage Ratios. HLG is operating comfortably within those ratios and expects that it will continue to do so. As HLG's interest costs are locked in for the next 9.4 yrs, HLG's interest coverage increases as rent is indexed each year.

Other than that baseless rumour and recent and continuing media speculation referred to below, HLG has no knowledge of any other explanation for the price changes in its Stapled Securities.

ASX Query 4 Please confirm that the Group is in compliance with listing rules and, in particular, listing rule 3.1.

**Response** HLG confirms that it is in compliance with listing rules, including 3.1.

### **Recent Media speculation**

Although not necessarily for compliance with listing rule 3.1, HLG also provides the following further information to rebut recent misleading media speculation:

- 1. Continuing ability to met outstanding commitments:**  
HLG has facilities in place to meet its outstanding commitments.
- 2. HLG Strategy:**  
The HLG Board has previously announced an intention to acquire 7 pubs to add to the company's portfolio. Although facilities are available to complete the purchase of these pubs, the Board has decided to review the pub acquisition strategy and the current portfolio having regard to the changing pub market demographics. The review will cover the ideal type, location and clientele of the pubs currently held and for the future expansion of HLG's Pub investments in order to maximise returns. A decision in relation to the 7 pubs will be made in the near future.
- 3. HLG Pub Leases: Rent not linked to tenants' performance**  
HLG is a landlord and does not operate pubs itself. Under HLG's leases, rent and annual increases in rent are not linked to the operational performance of the pubs.
- 4. National Leisure and Gaming –("NLG")**  
Other than being the landlord of 32 pubs leased to National Leisure and Gaming (NLG), HLG is not connected with NLG, or its recent underwriting, and has no financial commitments to, or investment in, NLG.

Mr Tom Hedley (a director of HLG) is associated with companies which have dealings with NLG (including in respect of NLG's recent underwriting). However HLG is not associated with those companies, and they do not form part of HLG. Recent media reports continue to confuse the activities of HLG with the entirely separate business interests of Mr Tom Hedley.

NLG continues to make lease payments to HLG for pubs leased from HLG. HLG expects that NLG will continue to comply with those leases. If NLG did in fact default, HLG would not expect to suffer material financial loss given HLG's rights under the leases.

- 5. HLG Securities owned by Hedley Leisure and Gaming Property Partners Limited directors**  
All directors of Hedley Leisure and Gaming Property Partners Limited have responded to a request by its Board to provide details of any margin loans or similar financing arrangements in relation to HLG securities held by them or entities associated with them. We advise that:
  - a) Mr T Hedley: TWH (Qld) Pty Ltd, a company associated with Mr T Hedley, holds 77 million HLG Stapled Securities. There is a margin loan of \$8 million in respect of 20,623,312 securities with a trigger point of 50% and where the lender has the right of unilateral sale.

TWH(Qld) Pty Ltd is currently negotiating alternative financing for this margin loan.

- b) Mr Greg Kern: The Kern Consulting Group Pty Ltd (as trustee of the Kern Consulting Group Trust) holds 514,660 HLG Stapled Securities, in respect of which there is a margin loan of \$280,000 with a trigger point of 65% and where the lender has the right of sale. Nevertheless, Mr Kern has advised HLG that should he receive a margin call, he has the financial resources to cover the amount involved;
- c) Mr S Donnelley: Companies associated with Mr S Donnelley hold 455,411 Stapled Securities. There is no margin loan or similar financing arrangement in respect of those securities; and
- d) Mr C Henson and Ms N Withnall: Neither Mr C Henson nor Ms N Withnall hold any HLG Stapled Securities.

**6. Pub Valuations:**

Contrary to a statement in an article in The Australian newspaper on 7 March 2008, HLG has received no advice from either its bankers or ASIC that the current valuation of HLG's Pub Portfolio is being questioned or considered. HLG is aware of the adverse effect to some pubs of the smoking bans, poker machine taxes and changes in discretionary spending resulting from recent interest rate increases. Equally, it is aware of improvements in the operations of some pubs resulting from restructure initiatives of motivated publicans to cater for changing conditions. As previously stated, operational cash flow to HLG should not be impaired by those negative factors, as rent and annual rent increases are specified in HLG's pub leases, which have average remaining lease terms of approximately 18 years.

**7. "The Australian" Newspaper:**

An article in "The Australian" newspaper on 7 March 2008 contained a substantial number of errors. In view of the number of errors, negative and damaging to HLG, that were contained in the article, HLG reserves its position in relation to any action that may be appropriate. The errors include:

- a) Contrary to the article, HLG has no reason to believe that "big bank lenders" fear losses of at least \$600 million in relation to HLG and NLG. HLG considers that on any reasonable basis every element of that reference by "The Australian" is wrong;
- b) Contrary to the article, HLG does not have a 20% stake, or any stake whatsoever, in NLG;
- c) Contrary to the article, upon completion of the interest swap transaction announced on 5 March 2008 the syndicate of banks headed by ANZ referred to in the article will be owed a net debt of \$805 million, not \$910 million as reported;
- d) Contrary to the article, ANZ does not own the National Bank of New Zealand (which is a lender to NLG);
- e) There is no basis for the statement that the combined exposure of ANZ, or any bank, to HLG and NLG is \$1.5 billion;

- f) “*The Australian*” was wrong to suggest that HLG's request for a trading halt was "triggered by bank demands for an immediate revaluation of the fund's portfolio" – no such demands have been made to the Company;
- g) Contrary to the article, to the knowledge of HLG the ANZ has not "quizzed valuers" about their valuations made when HLG listed last year;
- h) “*The Australian*” was again wrong in its assertion that The Bank of Japan is a lender to HLG. The Bank of Japan is not a lender at all to HLG, let alone a "major lender" to HLG as reported.

Colin Henson  
Chairman  
Hedley Leisure & Gaming Property Partners Limited