



Compass Hotel Group – Annual General Meeting Chairman’s Address 11:00am, Wednesday 29th October 2008

Compass Hotel Group Ltd
ABN 18 127 909 835

Primary Compass Ltd
ABN 98 129 159 182
AFSL 323380
as Responsible Entity of
Compass Hotel Group Trust
ABN 72 922 408 903

Welcome to our first Annual General Meeting of Compass Hotel Group Ltd (“Group”) (ASX: CXH).

As you are aware, the Group listed on the Australian Securities Exchange on 3 January 2008 and then settled 12 hotels and taverns, a rental tavern and an associated investment property in the period from late January through to April 2008.

The completion of these settlements during the course of the 2007/2008 financial year follows the programme outlined in the Prospectus and PDS and the focus in the first 6 months has been on integrating the acquisitions to extract operating synergies, streamline practices and systems and to utilize the strength of group buying power.

While the Group has quality hotels and taverns in the growth areas in Perth and Mandurah and now operate some of the top food and beverage venues in the sector in WA, the impact of the global credit crisis is likely to have an impact on our results in this financial year as retail spending slows even in a growth state like WA. There has been a decline in revenue against forecast in the first quarter of FY09, but because of the choppy nature of trading across all markets, it would not be prudent for the Group to give any form of updated guidance for the full financial year particularly when we are about to enter a traditionally strong revenue period leading up to Christmas.

During these difficult economic times, there is a great deal of pressure placed on management to perform and in that regard, I would particularly like to acknowledge the contribution of Bryan Northcote, our Chief Executive Officer and Managing Director who has been primarily responsible for setting up the operation of the Group and has set a solid foundation for future success. Our senior management team and staff have had a trying time through the integration process and I thank them for their dedication and diligence in bringing the Group through to this stage in its evolution and growth. Recently, we were fortunate enough to be able to appoint Antoine Musu as the Group’s Chief Operating Officer and in the short time that Antoine has been with us, he has shown that his extensive experience in the hotel business and knowledge of food and beverage operations, will play a significant part in positioning the Group for success in the future.

I thank all shareholders for their continued support and look forward to an interesting and exciting year ahead.

Rick Jones
Chairman

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www.compasshotel.com.au



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The past six months since listing have been a period of implementation of the strategy and vision for the Group business model. During this time, in accordance with the list set out in the Prospectus and Product Disclosure Statement (PDS) the Group has settled 12 Hotels and Taverns, a rental Tavern and an associated investment property attached to the Gosnells Hotel and achieved the following Operational Milestones:

1. Consolidated WA Operations with reporting lines based on individual Hotel businesses;
2. Established daily, weekly and monthly detailed management reporting systems;
3. Established a Retail liquor division to provide consistent standard of presentation, service and profitability;
4. Completed a central liquor buying platform and a standard stock control system;
5. Established food planning and operations structure to provide a consistent standard of production, preparation, service and profitability across all operations;
6. Completed preferred supply agreements with food and liquor suppliers across the group;
7. Completed consolidation of major controllable expenses across all venues;
8. Established a consolidated marketing platform including venue website roll out and customer loyalty database creation; and
9. Creation of OH & S standard consistent with WA regulatory guidelines.

Looking forward the group has the following operational goals:

1. Continued refinement of internal controls and data bases established at individual sites;
2. Maximise revenue through working relationships at site and corporate level; and
3. Maintain the Gross Operating Profit in a difficult trading environment.

At a property level the Group has substantially advanced a number of high return business enhancement opportunities. Many of these are expected to result in securing a better utilisation of the existing assets via redevelopment and importantly do not need additional equity or debt to complete these projects. Third parties are currently involved in discussions with the group on providing solutions to free up this excess



capital allowing the Group to achieve additional growth opportunities over the next 3 years.

Accordingly, the Company is entering into a development agreement with the Trust to investigate and progress these potential opportunities and has aligned itself with third party consultants to facilitate development applications where appropriate.

The various sites that have been identified as opportunities to increase rental income and operating revenues through redevelopment and/or refurbishment are:

1. Gosnells Hotel and Gosnells Railway Markets, Gosnells
(Land amalgamation completed June 2008)
2. Albion Hotel, Cottesloe
3. Princess Road Tavern, Balga
4. Peninsula Tavern, Maylands
5. Carine Glades Tavern, Duncraig
6. Lakers Tavern, Thornlie
7. Greenwood Tavern
8. Herdsman Lake Tavern

As you are well aware, there is considerable uncertainty and volatility in the global economic environment which makes it difficult to make predictions about future performance. It is no secret that general trading conditions have become tougher.

We have experienced a 12% variation to forecast revenue in the September quarter. Costs continue to apply pressure to earnings as evidenced by recent award wage increases. Operating costs continue to be managed in line with forecasts.

When economic conditions stabilise and sentiment returns to historic levels we would expect to return to our track rate identified in our May reforecast. Uncertainty and poor consumer sentiment will in the interim be the handbrake that constrains the group from achieving its short term earnings guidance previously issued.

Bryan Northcote
Chief Executive Officer