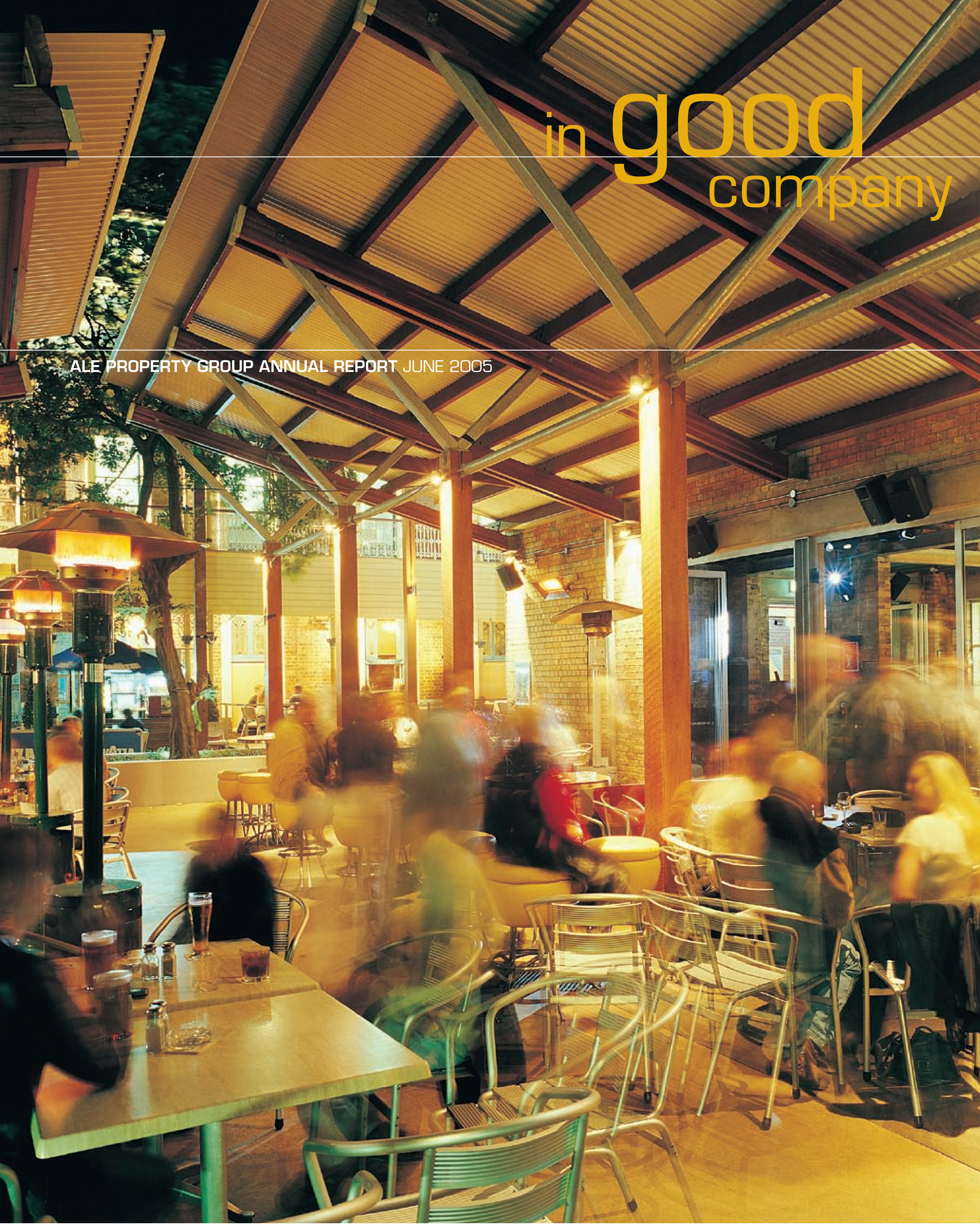
in good company

ALE PROPERTY GROUP ANNUAL REPORT JUNE 2005



ALE PROPERTY GROUP

Pelican Waters Hotel, Qld

New Brighton Hotel, NSW

During the year the ownership of the portfolio's tenant changed hands. With the tenant now controlled by major retailer Woolworths Limited (75%) and Bruce Mathieson Group (25%), our income quality and value has been enhanced. ALE Property Group is now in **very** good company.

Front and back cover: Breakfast Creek Hotel, Qld

contents

…in very good company

ALE Property Group
– Owns freehold property assets

ALE

for ALE Property Group that equates to…

ALE Notes support

Lease agreements

Foster's Group
- Former owner of assets
- Global beverage company

Supply agreement

Australian Leisure & Hospitality Group (ALH)
- Holds operating assets
- Operates pubs

Joint venture

25%

75%

Bruce Mathieson Group
- An experienced operator of pubs

Woolworths
- A stable and secure retailer
- Number one in market share
- Significant growth aspirations
- An Australian icon

WOOLWORTHS LIMITED

quality of income

the new ownership of our tenant provides security of cash flow

Sail and Anchor Pub Brewery, WA

Far left: Albany Creek Tavern, Qld
Left: The Young & Jackson Hotel, Vic

year remaining lease term

23.5

our pub portfolio is leased exclusively to ALH and the remaining term is unmatched in the listed property trust sector

ALH also holds four 10 year options to renew that extend the potential term currently remaining to 63.5 years. The property portfolio has currently been operating as pubs for an average of 55 years.

compounding value

material revaluation

- A- credit quality tenant*
- CPI indexing rental income
- Strong demand for pub properties
- Strong demand for properties with long term leases

A-

* See Standard & Poor's press release (27 January 2005) on ALE's website

Above: Pymble Hotel, NSW
Right: The Ramsgate Hotel, SA


Pelican Waters Hotel, Qld

acquisitions

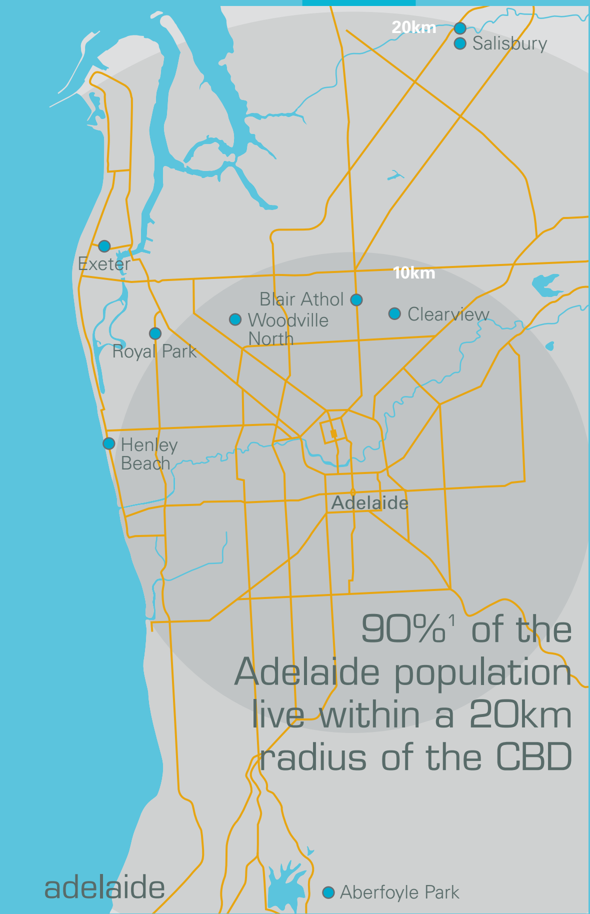
ALE is seeking to acquire additional high quality properties that complement its existing portfolio

Potential acquisitions:

- Pubs and other commercial properties
- Properties with high quality tenants
- Properties with long term indexed or fixed increase rental streams
- Properties which are strategic to the tenant's business
- Properties currently under development by ALH and its development partners

prime locations

our properties are situated in prime coastal or capital city locations – where the majority of people live, work and socialise

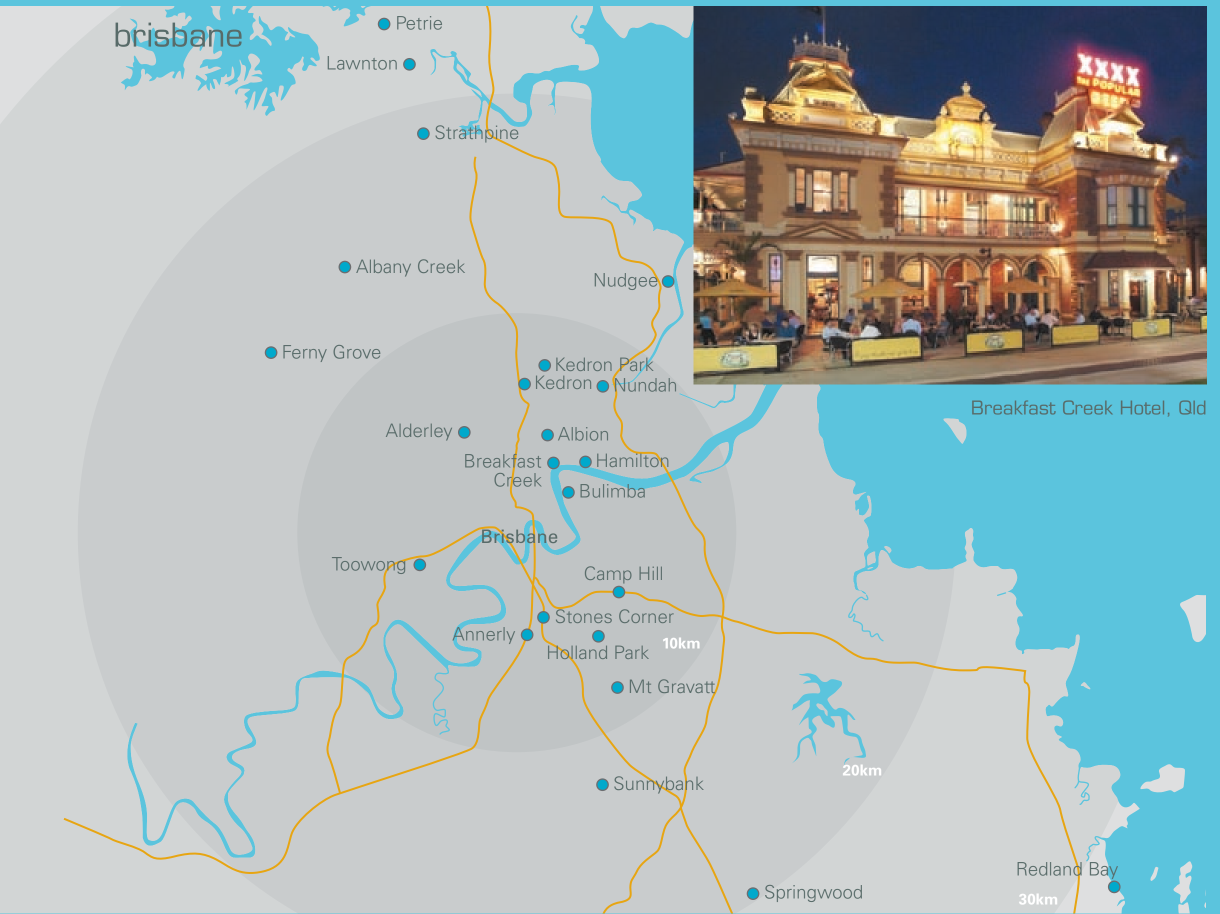


90%[1] of the Adelaide population live within a 20km radius of the CBD

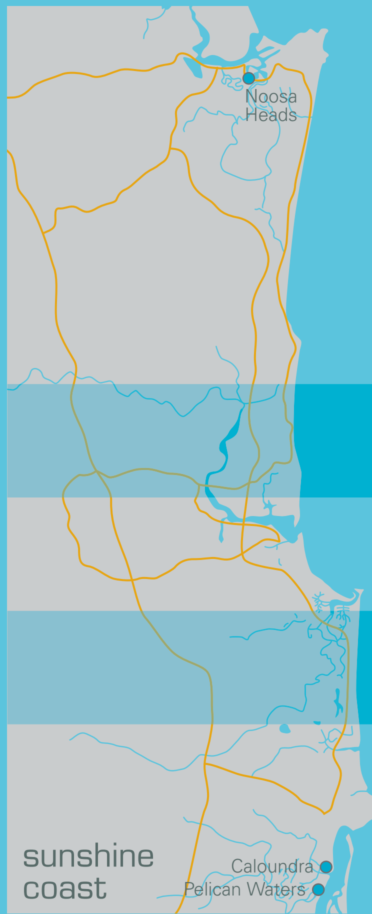
Sandown Park Hotel, Vic

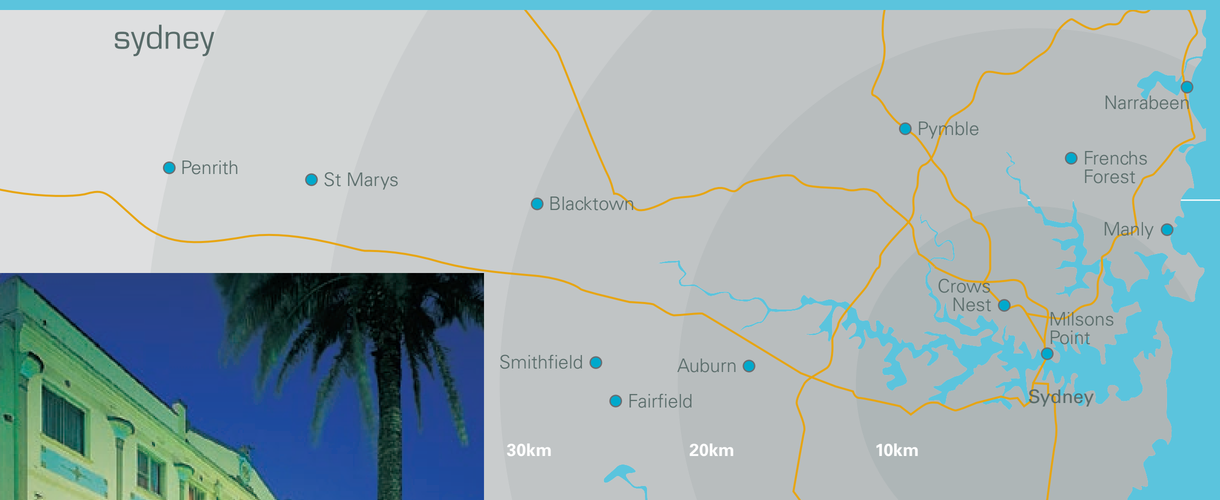
72%[1] of the Melbourne population live within a 30km radius of the CBD

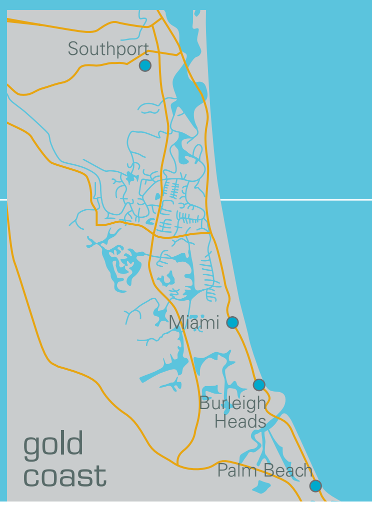
85%[1] of the Brisbane population live within a 30km radius of the CBD



Breakfast Creek Hotel, Qld





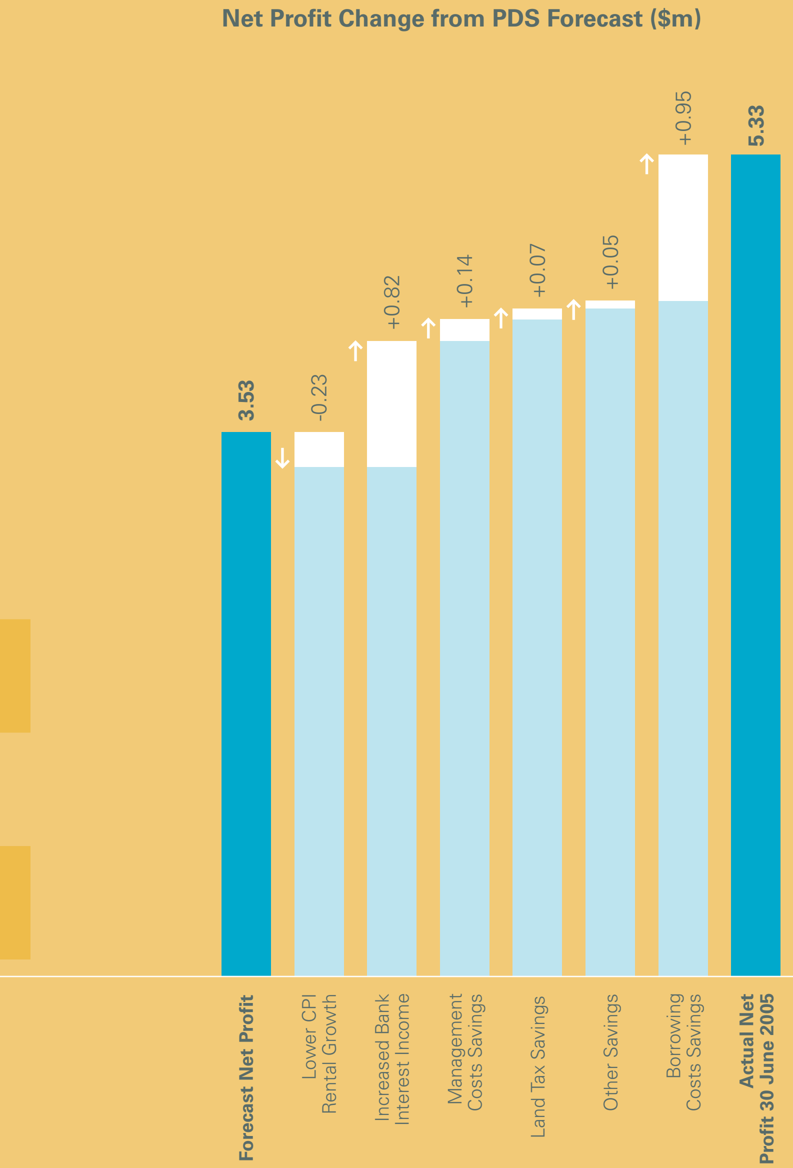


87%[1] of the Sydney population live within a 30km radius of the CBD

1 Proportion of population living in sample area
Source: ABS Census Data 2001; UrbisJHD

New Brighton Hotel, NSW

impressive results



	FY05	FY04[1]	Change
Net Profit After Tax	**$5.3m**	$3.9m	$1.4m ↑
Distributable Profit[2]	**$11.7m**	$8.0m	$3.7m ↑
Distribution per Stapled Security	**12.85¢**	7.50¢	5.35¢ ↑
Portfolio Value	**$651.5m**	$576.7m	$74.8m ↑
Stapled Security Price	**$2.06**	$1.31	75¢ ↑
Net Assets per Stapled Security	**$2.17**	$1.41	76¢ ↑

1 FY04 effectively commenced November 2003

2 Distributable Profit includes add backs for non-cash accounting items

chairman's message

It is my pleasure to report to you on the performance of ALE Property Group (ALE) for the year ended 30 June 2005.

This year, ALE has experienced substantial growth in both net profit and the capital value of its property portfolio. ALE has achieved net profit this year of $5.3 million, an increase of $1.4 million over last year and $1.8 million higher than forecast in the PDS/Prospectus (PDS) at the time of our listing on the Australian Stock Exchange (November 2003).

This performance has resulted in ALE being able to pay distributions of $11.7 million to our security holders or 12.85 cents per security, 11.2% higher than for the same period last year (annualised) and 17.9% higher than forecast in the PDS.

In October 2004, the tenant of our existing 105 pub portfolio, Australian Leisure and Hospitality Group Limited (ALH), was taken over by Bruandwo Pty Limited, a joint venture company owned by Woolworths Limited (75%) and the Bruce Mathieson Group (25%). This has had a materially positive impact on ALE in a number of ways. Firstly, ALH now enjoys a credit quality of A-, according to Standard & Poor's. Further, we believe the operating capability of ALH has been enhanced by the combined industry expertise and resources of the joint owners, Woolworths and the Bruce Mathieson Group.

As a consequence, ALE's long term and inflation-indexed lease cash flow now comes from a more creditworthy tenant with increased operational expertise in its underlying business.

In June 2005, the Board revalued the entire pub portfolio following an independent valuation undertaken by DTZ Australia. Improvements in the ALH lease credit quality as well as increased market activity in the pub sector resulted in a material upward revaluation of the portfolio to $651.5 million, an increase of $74.8 million (13.0%) over June 2004 and $115.3 million (21.5%) over the November 2003 purchase price. Following the revaluation, the Net Assets per stapled security has risen by 53.9% to $2.17 at 30 June 2005.

The increase in value has caused ALE's gearing (debt/total assets) to fall from 88.6% on listing to 69.5% at 30 June 2005. Interest rates are 100% hedged until 2008 and then partly hedged until 2013. The Board continues to monitor capital markets to ensure that ALE's financing arrangements provide both efficiency and certainty to ALE security holders.

ALE's management team has continued to perform well under the leadership of Managing Director, Andrew Wilkinson, providing robust and efficient management in which we have a lot of confidence. ALE has recently moved to expand its management team with the appointment of Andrew Slade in July 2005 as Investment and Acquisitions Manager – Securitised Property.

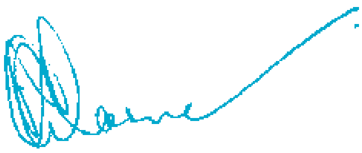
The Board has a sharp focus on both compliance and risk management. This will continue as the Group grows and responds to any changes in the market or the Group operations. ALE has recently completed a Board review conducted by a specialist governance adviser. The findings of this review were that the size and skills of the Board are appropriate for the current activities of the Group and that the Board is functioning well.

The adviser suggested how the Board may need to evolve if the activities of the Group change in the future. The adviser also suggested various minor improvements to processes which may enhance the performance of the Board which the Board is still considering .

The Board of ALE continues to focus on improving stapled security holder value and maintaining a disciplined and patient approach to evaluating new acquisition opportunities. These are assessed with specific attention paid to the term of lease, the quality of tenant, and the value of the underlying property. The Board expects ALE to deliver continued sound performance in the year ahead underpinned by its long term inflation-linked income stream and fully hedged debt arrangements.

The board has scheduled this year's annual general meeting to be held at The Westin, Sydney at 10am on 21st October 2005. At this meeting the board will present to stapled security holders an update of the activities of the group, and provide guidance on the likely distribution for 2006.

Thank you for your continuing support.



Peter Warne
Chairman

Andrew Wilkinson
BBus, CFTP
Managing Director

Andrew joined ALE as Chief Executive Officer at the time of its listing in November 2003 and was appointed Managing Director of ALE in November 2004.

Andrew has 25 years experience in banking and corporate finance and was previously a corporate finance partner with PricewaterhouseCoopers.

Andrew specialised in providing financial and strategic advice on significant property and infrastructure portfolios and was one of the founding members of the NSW Government's Infrastructure Council.

Andrew's career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders where he was involved in leading the financing arrangements for a range of major projects.

Andrew has a Bachelor of Business degree from the University of Technology, Sydney and is a professional member of the Finance and Treasury Association.

Andrew Slade
BEcon (Actuarial Studies)
Investment and Acquisitions Manager – Securitised Property

Andrew joined ALE in July 2005.

Andrew has 15 years experience in investment banking and structured finance. Andrew spent 10 years with Oxley Corporate Finance, where he was involved with a range of structured, project and property finance transactions, the latter involving major Australian companies and listed property trusts. For the last five years Andrew has acted as principal of Slade Financial Consulting, where he has provided advice on structured property and asset-based financing arrangements for the private sector as well as for the NSW and SA Governments.

Andrew has a Bachelor of Economics degree, majoring in Actuarial Studies, from Macquarie University.

Brendan Howell
BEcon, GDipAppFin (Sec Inst)
Company Secretary and Compliance Officer

Brendan has 15 years experience in the funds management industry and was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past six and a half years, Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent Director for several unlisted public companies, some of which act as responsible entities.

Brendan has a Bachelor of Economics degree from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Darren Barkas
BCom, GDipAppFin (Sec Inst), CPA, ASIA
Group Financial Controller and Assistant Company Secretary

Darren joined ALE as Property Trust Manager in January 2004 and was appointed Group Financial Controller and Assistant Company Secretary in March 2005.

Darren has 19 years of broad accounting, taxation, financial control and management experience. Darren joined ALE from the property division of AMP Capital Investors. During his seven years at AMP, Darren was responsible for a broad range of accounting, reporting, treasury, taxation, analysis, registry and general financial management functions in roles that covered a number of AMP's listed and unlisted property trusts.

Darren has a Bachelor of Commerce degree from the University of Wollongong, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and is currently undertaking a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia.

Darren is a member of CPA Australia and the Securities Institute of Australia and is enrolled in the Affiliates Program of Chartered Secretaries Australia.

Andrew Slade   Brendan Howell   Darren Barkas

management team

Pelican Waters Hotel, Qld

I am pleased to report that ALE has not only performed well in the past year but also has a promising outlook.

In summary, the net profit result exceeded expectations, property values have increased materially and the market performance of ALE's stapled securities have placed ALE in a position where it may competitively acquire additional high quality property assets.

Andrew Wilkinson

managing director's report

Increase in Net Profit

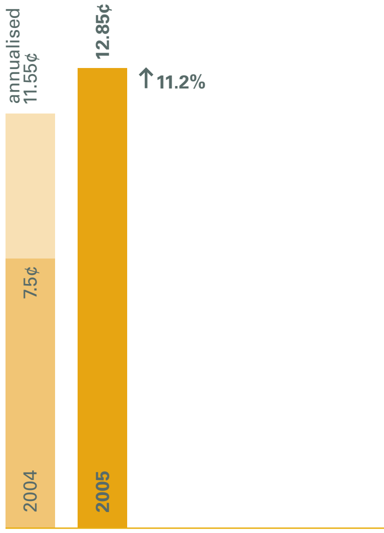
In the year to June 2005, increased revenue and continuing effective cost management have contributed to a significant increase in net profit over last year. Contributing factors include:

- **Property income** – lease payments under ALE's long term leases to ALH increased in line with average state based consumer price index of 2.1%. This was a slightly lower rate of inflation than that anticipated at the time of our listing, resulting in property income being marginally ($0.2 million) below that forecast in the PDS.
- **Interest income** – ALE's cash management efficiency more than made up for any small shortfalls in rental income. $1.2 million of bank interest income was achieved, a result significantly higher than the PDS forecast of $0.4 million. ALE holds cash on deposit in order to provide security for the Commercial Mortgage Backed Securities (CBMS) arrangements, fund liquidity and to support modest acquisition opportunities.
- **Land tax** – Queensland land tax (which by law must be paid by the land owner) is the only property outgoing routinely paid by ALE. All other routine outgoings are paid by ALH. ALE's land tax expense this year of $1.1 million was marginally lower than the PDS forecast of $1.2 million. Although Queensland property values increased, the savings arising from delayed development property completions helped deliver a favourable result.
- **Interest expense** – at the time of listing, ALE was able to lock in an average interest rate (across its various debt facilities) of 6.524%, which was well below its PDS forecasts. Annual interest savings of around $1.0 million below PDS forecasts were locked in until November 2008.
- **Management expense** – this year, management expenses were lower than the PDS forecast of $3.0 million. ALE's internalised management structure helped deliver a management expense ratio (MER) of just 0.24% of gross assets. This compares very favourably to the wider Listed Property Trust sector which averages around 0.70% (BDO LPT survey 2004). While a number of other property trusts pay performance fees to external managers, ALE's significant current year outperformance flows directly to its stapled security holders.

Increase in Distribution

ALE has declared a total distribution to its security holders of $11.7 million for the full year, or 12.85 cents per stapled security, a 11.2% increase on the (annualised) distribution for 2004, and 17.9% more than the PDS forecast of 10.9 cents.

The full year distribution is 100% tax deferred.



Increase in Distribution per Stapled Security

Change of Ownership of ALH

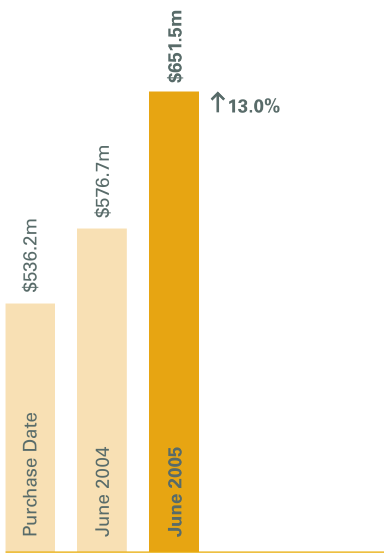
As mentioned by our chairman, the tenant of our existing 105 pub portfolio, ALH, was taken over by a joint venture of Woolworths and the Bruce Mathieson Group. This has had a positive impact on ALE. ALH's credit quality has improved according to leading debt rating agency, Standard & Poor's, and the operating capability of ALH now benefits from the combined expertise and operating resources of the joint owners, Woolworths and the Bruce Mathieson Group.

ALE's long term, inflation-indexed lease cash flows come from a very credible tenant with significant growth aspirations in a market where it clearly occupies the number one position.

Property Portfolio Valuation

As noted last year, our policy is to have at least one third of our portfolio independently valued each year. This year, given the change in the ownership of ALH and the identity of the new owners, we decided to have the entire portfolio revalued. The valuation was performed by DTZ, a recognised valuer of securitised pub properties in many markets including the United Kingdom where it has recently valued around 9,000 pubs for major listed companies that own the freehold properties.

In mid June 2005, we were delighted to announce that on the basis of the independent valuation, the Board had materially increased the carrying value of our properties to $651.5 million, an increase of $74.8 million (or 13.0%) over June 2004 and $115.3 million (or 21.5%) over the November 2003 purchase price. This value reflects an improvement in the average capitalisation rate of our freehold properties to 6.87%.



Growth in Property Value

New Brighton Hotel, NSW

Blacktown Inn Hotel
80 Blacktown Road,
Blacktown, NSW

Brown Jug Hotel
47 Stanbrook Parade,
Fairfield, NSW

Colyton Hotel
12 Great Western Highway,
St Marys, NSW

Crows Nest Hotel
1 – 3 Willoughby Road,
Crows Nest, NSW

Kirribilli Hotel
37 Broughton Street,
Milsons Point, NSW

Melton Hotel
163 Parramatta Road,
Auburn, NSW

Narrabeen Sands
1260 Pittwater Road,
Narrabeen, NSW

New Brighton Hotel
71 The Corso,
Manly, NSW

Parkway Hotel
5 Frenchs Forest Road,
Frenchs Forest, NSW

Pioneer Tavern
Cnr Maxwell Street and
The Northern Road,
Penrith, NSW

Pymble Hotel
1134 Pacific Highway,
Pymble, NSW

Smithfield Hotel
671 The Horsley Drive,
Smithfield, NSW

Breakfast Creek Hotel
2 Kingsford Smith Drive,
Breakfast Creek, Qld

Burleigh Heads Hotel
4 The Esplanade,
Burleigh Heads, Qld

CBX Hotel
12 Bulcock Street,
Caloundra, Qld

Camp Hill Hotel
724 Old Cleveland Road,
Camp Hill, Qld

Chardons Corner Hotel
688 Ipswich Road,
Annerly, Qld

Dalrymple Hotel
310 Bayswater Road,
Garbutt, Qld

Edge Hill Tavern
(formerly the
Newmarket Hotel)
145 – 147 Pease Street,
Manoora, Cairns, Qld

Edinburgh Castle Hotel
421 Gympie Road,
Kedron, Qld

Ferny Grove Tavern
1348 Samford Road,
Ferny Grove, Qld

Four Mile Creek
260 Gympie Road,
Strathpine, Qld

Hamilton Hotel
442 Kingsford Smith Drive,
Hamilton, Qld

Holland Park Hotel
945 Logan Road,
Holland Park, Qld

Imperial Hotel
66 – 72 George Street,
Beenleigh, Qld

Kedron Park Hotel
693 Lutwyche Road,
Kedron Park, Qld

Breakfast Creek Hotel, Qld

Breakfast Creek Hotel, Qld

Sunnybank Hotel
275 McCullough Street,
Sunnybank, Qld

The Vale Hotel and Aikenvale Motel (Qld)
222 Ross River Road,
(Aikenvale) Townsville, Qld

Wilsonton Hotel
40 Richmond Drive,
Wilsonton, Toowoomba, Qld

Woree Tavern
Bruce Highway,
Woree, Cairns, Qld

Aberfoyle Hub Tavern
The Hub Shopping Centre
Taylors Road,
Aberfoyle Park, SA

Enfield Hotel
184 Hampstead Road,
Clearview, SA

Eureka Hotel
10 Park Terrace,
Salisbury, SA

Exeter Hotel
152 Semaphore Road,
Exeter, SA

Kirwan Tavern
154 Thurwingowa Drive
Townsville, Qld

Petrie Hotel
Dayboro Road,
Petrie, Qld

Prince of Wales
1154 Sandgate Road,
Nundah, Qld

Racehorse Hotel
215 Brisbane Road,
Booval, Qld

Redland Bay Hotel
The Esplanade,
Redland Bay, Qld

Royal Exchange Hotel
10 High Street,
Toowong, Qld

Springwood Tavern
43 Springwood Road,
Springwood, Qld

Stones Corner Tavern
346 Logan Road,
Stones Corner, Qld

Finsbury Hotel
49 Hanson Road,
Woodville North, SA

Gepps Cross Hotel
560 Main North Road,
Blair Athol, SA

Hendon Hotel
110 Tapleys Hill Road,
Royal Park, SA

Stockade Tavern
2 Gawler Street,
Salisbury, SA

The Ramsgate Hotel
328 Seaview Road,
Henley Beach, SA

Ashley Hotel
226 Ballarat Road,
Braybrook, Vic

Bayswater Hotel
780 Mountain Highway,
Bayswater, Vic

Blackburn Hotel
111 Whitehorse Road,
Blackburn, Vic

Blue Bell Hotel
Howitt Street,
Wendouree, Vic

Burvale Hotel
Cnr Springvale Road
and Burwood Highway,
Nunawading, Vic

Club Hotel
848 Burwood Highway,
Ferntree Gully, Vic

Cramers Hotel
1 Cramer Street,
Preston, Vic

Davey's Hotel
510 Nepean Highway,
Frankston, Vic

Deer Park Hotel
760 Ballarat Road,
Deer Park, Vic

Doncaster Inn Hotel
855 Doncaster Road,
Doncaster, Vic

Elsternwick Hotel
259 Brighton Road,
Elwood, Vic

Eltham Hotel
746 Main Street,
Eltham, Vic

Ferntree Gully Hotel & Motel
1130 – 2 Burwood Highway,
Ferntree Gully, Vic

Gateway Hotel
218 – 230 Princes Highway,
Corio, Vic

Keysborough Hotel
Cnr Corrigan and Cheltenham
Roads, Keysborough, Vic

Mac's Hotel
322 – 332 High Street,
Melton, Vic

Meadow Inn Hotel
1431 – 1435 Sydney Road,
Fawkner, Vic

The increase in value was driven by:

- **Increased net rent** – property income increased by 2.1% in the current year. The value of the upcoming scheduled rent review due in November 2005 was conservatively excluded from the valuer's assessment.
- **Improved income security** – the change of ownership of ALH resulted in an improvement of ALH's credit quality as assessed by Standard & Poor's. The valuer also considered the experience of the new management within the ALH business. These factors were considered to provide a much more secure income stream from a valuation perspective and therefore justified a strengthening of the capitalisation rate used.
- **Increased appetite for quality tenanted pubs** – the pub sector as a whole has experienced a general strengthening of capitalisation rates, particular for assets with strong corporate "triple-net" income streams such as those in ALE's portfolio.

In accordance with accounting standards, the properties were valued by DTZ on an individual or stand alone property basis. DTZ further advised that the value of the whole portfolio or groups of pub properties may transact at a premium to the individual property values recorded in the accounts. DTZ were not asked to advise of the size of that premium.

Development Properties

As at June 2005, ALE has four development properties yet to be completed. Whilst these properties have experienced delays in construction, ALE is not exposed to any property development risks. During the development period, ALE continues to earn interest on loans relating to the development properties under a continuing contract with the Foster's Group Limited. The interest is indexed annually in line with inflation.

ALE currently expects that, upon completion, the properties will carry values higher than their respective purchase prices.

The latest ALH estimate for transfer of each of the remaining development properties to ALE is as follows:

- Caloundra Hotel (CBX), Qld — October 2005
- Narrabeen Hotel, NSW — March 2006
- Burleigh Heads Hotel, Qld — December 2007

ALH is presently in discussions with the developer for the Parkway Hotel in NSW. Once these discussions are concluded, ALE will advise of any revised development arrangements that it approves for this hotel.

Performance

For the year ended 30 June, 2005, ALE was the second best performing listed property trust in Australia. Our share price increased from $1.31 to $2.06 over the year, which, combined with a total distribution of 12.85 cents per security, represents a 68.4% pre-tax internal rate of return on funds invested for the 12 month period.

Capital Management

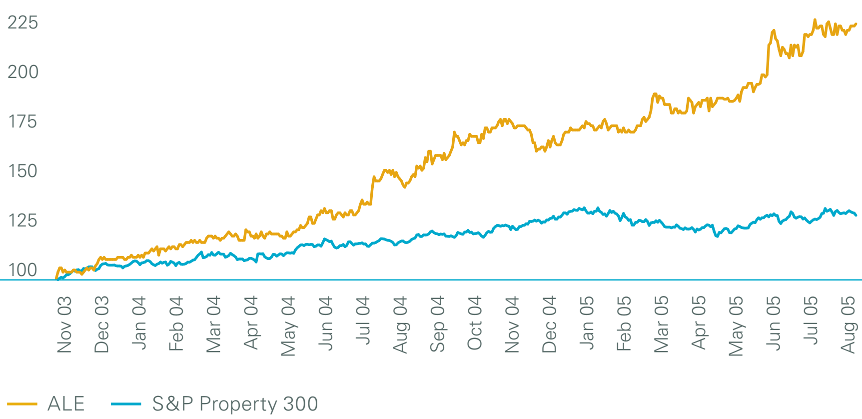
At the date of listing, ALE was able to increase the efficiency of its capital structure by leveraging its rental stream's long term and high-quality nature.

Since IPO, increases in ALE's property portfolio value and stapled security price mean that ALE's gearing (debt/total assets) has fallen from 88.6% at IPO to 69.5% at 30 June 2005. ALE's capital structure at 30 June 2005 is as follows:

- **$330 million of commercial mortgage backed securities (CMBS)** – in various tranches, with interest rates fully hedged to between November 2008 and November 2011; and
- **$150 million of ALE Notes** – trades on the ASX (Code LEPHB), paying fixed interest until September 2011;
- **$187 million in security holder equity** – as per the market valuation of ALE stapled securities listed on the ASX (code LEP).

The ALE management team, in conjunction with advisers, is continually investigating capital management options in order to maximise efficiency and therefore value for stapled security holders. ALE's current debt arrangements include built-in prepayment options which allow for flexibility in funding arrangements going forward.

Performance – ALE was the second best performing LPT for the year ending 30 June 2005
ALE v ASX Property 300*



* rebased to 100 at 11 November 2003

Breakfast Creek Hotel, Qld

ALE has a current policy of maintaining 100% hedging of interest rates for a minimum average term to maturity of two and a half years and a maximum of five years. In conjunction with its consideration of capital management, ALE and its advisers continually monitor interest rate markets in order to evaluate any longer term hedging opportunities.

On 1 September 2005, with 10 year Government Bonds at their lowest point since listing, ALE capitalised on the interest rates available in the long term swap market to extend its interest rate hedging and therefore lock in lower rates on the group's debt after November 2008. In two transactions, each of $50m, ALE has secured new hedging at a weighted average interest rate that is 0.59% pa lower than its existing rates in the post November 2008 period.

Following this hedging extension, ALE has a weighted average term of hedging of 5.5 years. ALE's hedging profile is shown in the graph below.

Acquisition Strategy

In a recently released independent research report by Macquarie, ALE has been assessed as having one of the highest projected distribution growth profiles when compared to other Australian listed property trusts. As a consequence, ALE is also priced at one of the lowest current trading yields (FY06 distribution divided by current market price).

This outlook by Macquarie not only provides investors with a positive total return perspective but also places ALE in a competitive position to consider value accretive acquisitions. As previously stated, ALE is adopting a patient and disciplined approach to the consideration of potential acquisitions and is working with its advisers to target properties with the following characteristics:

- long term leases with indexed rent;
- high credit quality tenants;
- a strategic importance to the tenant's core businesses; and
- development risks and ongoing property outgoings covered by the tenants or third parties.

During the year ALE considered a number of acquisitions which came close to meeting our criteria. Some of these properties are no longer being considered, whereas others are still under discussion and evaluation.

Looking Forward

The year ahead is looking positive for ALE.
In accordance with our lease agreements with ALH, November 2005 will see an anticipated step up in rent across the portfolio at around 2.5% in line with the CPI for each state. Given ALE's current interest rate management position, increases in triple-net property rental substantially flow through to stapled security holders as higher distributions, creating a multiplier effect on distribution growth.

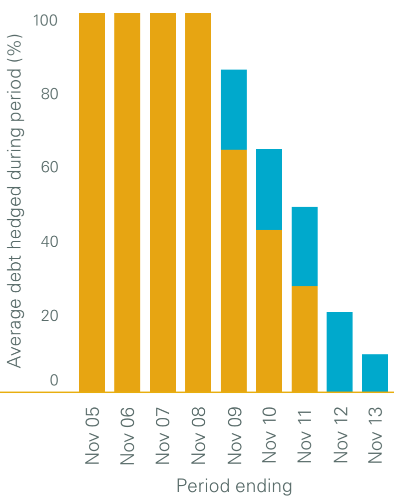
Queensland land tax rates decreased from 1.8% to 1.5% of unimproved capital value from 1 July 2005. Consistent with the price appreciation of our properties, the unimproved capital value of our Queensland freehold properties has most recently been assessed at approximately $93.7 million. Subject to any further movements in values, the annual land tax liability should fully reflect this latest assessment in 2008, after a three year phase-in period. ALE will continue to monitor land value assessments and object to any where it believes it is appropriate to do so.

Over and above ALE's built-in distribution growth from the existing property portfolio, we see the opportunity to add further value through various capital management initiatives and through exercising our competitive acquisition capabilities.

Finally, I would like to take this opportunity to thank ALE's Board and management team for their support and dedication in delivering a very strong result for our investors in 2005.

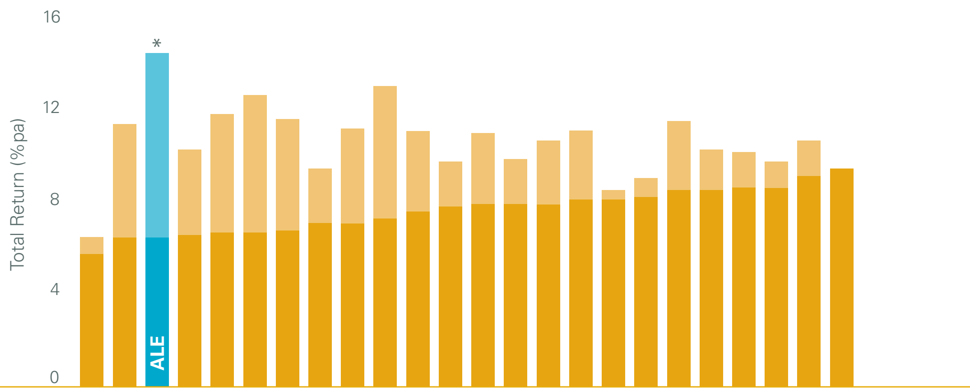
Andrew Wilkinson
Managing Director

Interest Rate Hedging Profile



Hedging as at 30 June 2005
Extension Hedging (1 September 2005)

Macquarie's Forecast of Total Return for LPTs (next five years)
ALE has low distribution yield, highest expected growth and total return



ALE
FY06 Distribution Yield
Five-year Distribution Growth (pa)

S&P/ASX 200 Listed Property Trusts
FY06 Distribution Yield
Five-year Distribution Growth (pa)

Source: Macquarie, 24 July 2005

Note: This is not a forecast by ALE Property Group
* ALE's distribution for 2006 is expected to be 100% tax-deferred. This may provide some investors with additional after-tax returns.

Pymble Hotel, NSW

Royal Exchange Hotel
64 Princes Highway,
Traralgon, Vic

Royal Hotel (Sunbury)
63 Evans Street,
Sunbury, Vic

Royal Hotel Essendon
871 Mt Alexander Road,
Essendon, Vic

Sandbelt Hotel
Cnr South and Bignell Roads,
Moorabbin, Vic

Sandown Park Hotel
Princes Highway,
Noble Park, Vic

Mitcham Hotel
566 Maroondah Highway,
Mitcham, Vic

Morwell Hotel
311 – 327 Princes Drive,
Morwell, Vic

Mountain View Hotel
186 Springvale Road,
Glen Waverly, Vic

Olinda Creek Hotel
161 Main Street,
Lilydale, Vic

Pier Hotel/21st Century
508 Nepean Highway,
Frankston, Vic

Plough Hotel
Childs Road (Stables
Shopping Centre),
Mill Park, Vic

Prince Mark Hotel
Cnr Princes Highway
and Power Road,
Doveton, Vic

Rifle Club Hotel
121 Victoria Street
Williamstown, Vic

Rose Shamrock and
Thistle Hotel
709 Plenty Road,
Reservoir, Vic

Sandringham Hotel
Cnr Beach and Bay Roads,
Sandringham, Vic

Somerville Hotel
Cnr Station and Edward Streets,
Somerville, Vic

Stamford Inn Hotel
Cnr Stud & Wellington Roads,
Rowville, Vic

Sylvania Hotel
1631 Sydney Road/
Hume Highway,
Campbellfield, Vic

The Vale Hotel
(previously the Springvale Hotel)
2277 Dandenong Road/
Princes Highway,
Mulgrave, Vic

Tudor Inn Hotel
1281 Nepean Highway,
Cheltenham, Vic

Victoria Hotel
Cnr Wyndham and
Fryer Streets,
Shepparton, Vic

Village Green Hotel
Cnr Springvale and
Ferntree Gully Roads,
Glen Waverly, Vic

Westmeadows Tavern
10 Ardlie Street,
Westmeadows, Vic

The Young & Jackson Hotel
Cnr Swanston and Flinders
Streets, Melbourne, Vic

Queens Tavern
520 Beaufort Street,
Highgate, WA

Sail and Anchor Pub Brewery
64 South Terrace,
Freemantle, WA

Wanneroo Villa Tavern
18 Dundebar Road,
Wanneroo, WA

Peter H Warne
BA
Chairman and Independent Director

Peter was appointed Chairman and non-executive Director of ALE in September 2003.

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited (BTAL) in 1981. Peter held senior positions in the Fixed Income department, the Capital Markets division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business was acquired by Macquarie Bank Limited in 1999. Peter is Chairman of Capital Markets CRC Limited and Next Financial Pty Ltd, a member of the Advisory Board of the Australian Office of Financial Management and a Director of SFE Corporation Limited, Austraclear Limited and Macquarie Capital Alliance Group.

Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial Studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

Andrew Wilkinson
BBus, CFTP
Managing Director

Andrew's qualifications and experience are outlined on page 10.

John Henderson
BBldg, MRICS, AAPI
Independent Director

John was appointed as a non-executive Director of ALE in August 2003.

John has been a Director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities.

John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

James McNally
BBus (Land Economy), DipLaw
Executive Director

James was appointed as an executive Director of ALE in June 2003.

James has over 10 years experience in the funds management industry having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

James provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including ALE.

James' qualifications include a Bachelor of Business in Land Economy (Hawkesbury Agricultural College) and a Diploma of Law (Legal Practitioners Administrations Board). He is a registered valuer and licensed real estate agent.

Helen Wright
LLB, MAICD
Independent Director

Helen was appointed as a non-executive Director of ALE in September 2003.

Helen Wright was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practised as a commercial lawyer specialising in real estate projects, including development and financing and related taxation and stamp duties. Helen is a member of the Boards of Sydney Harbour Foreshore Authority, UNSW Press Limited, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority; was Deputy Chair of the Australia Day Council of NSW to December 2002; and serves on the Advisory Board to The Little Company of Mary (Calvary hospitals). Prior boards include Darling Harbour Authority and MLC Homepack Limited.

Helen has a Bachelor of Laws from University of NSW, and in 1994 completed the Advanced Management Program at Harvard Graduate School of Business.

board of directors

Peter Warne

Andrew Wilkinson

John Henderson

James McNally

Helen Wright

The Board of Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") is accountable to stapled security holders for the performance of ALE.

Set out below is a summary of the main corporate governance practices of ALE. These practices have been in effect during the year ended 30 June 2005.

Roles of the Board and Management

The Board's responsibilities encompass the following:

1. review and approval of the strategic direction of ALE;
2. oversight of ALE, including its controls and accountability systems;
3. appointing and, where appropriate, removing the Managing Director (MD);
4. ratifying the appointment of and, where appropriate, the removal of the Acquisitions Manager, Group Financial Controller and the Company Secretary;
5. input to and final approval of management's development of corporate strategy and performance objectives;
6. review and ratification of systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
7. monitoring of senior management performance and implementation of strategy, and ensuring appropriate resources are available;
8. approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
9. approving and monitoring financial and other reporting; and
10. establishing and maintaining ethical standards.

The Board delegates to the MD responsibility for implementing strategic direction, and for managing the day-to-day operations of ALE. The MD consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

In carrying out its responsibilities, the Board undertakes to serve the interests of stapled security holders, employees, customers and the broader community honestly, fairly, diligently and in accordance with applicable laws.

Board Composition

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Board has determined that it is currently appropriate to have five directors, three of whom, including the Chairman, are non-executive.

The three non-executive directors, Peter Warne, John Henderson and Helen Wright, are independent directors as defined under section 601JA of the Corporations Act, and satisfy the principles of independence as outlined in the ASX Corporate Governance Council Recommendations.

The Chairman is selected by the full Board annually at the first meeting following the annual general meeting (AGM), and is an independent director.

The Board has implemented an annual performance evaluation process for management, directors, the Board and its Committees. Part of this process is to also ensure that the Board and its Committees maintain an appropriate balance of skills, experience and expertise.

Details of the performance evaluation process for management are set out in the Directors' Report in the Concise Financial Report commencing on page 26.

To assist the Board in undertaking its own performance evaluation and that of directors, it recently appointed a specialist governance adviser to review the performance of the Board.

The adviser's report was favourable and provided a number of minor suggestions that the Board may consider going forward to further enhance current practice.

The Board will continue to review its own performance and that off its directors and Committees on an annual basis, and may obtain the assistance of external consultants where required to assist it in this process.

Under the Company's Constitution, a director may not hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election. If no director would otherwise be required to submit for re-election but the ASX Listing Rules require that an election of directors be held, the director to retire at the AGM is the director who has been longest in office since their last election.

John Henderson will be retiring and standing for re-election as a director of the Company at its next AGM.

Independent Professional Advice

After prior approval of the Chairman, directors may obtain independent professional advice at the expense of the Company on matters arising in the course of their Board duties.

Ethics and Conduct

In accordance with ALE's Code of Conduct, all directors and employees are expected to perform their duties professionally and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of ALE.

Audit, Compliance and Risk Management Committee

To assist it in carrying out its responsibilities, the Board has established an Audit, Compliance and Risk Management Committee. This is a standing committee that is composed of three non-executive, independent directors.

corporate governance

Under the ASX Corporate Governance Council Recommendations, from 1 July 2005 the Chair of the Audit, Compliance and Risk Management Committee may not be the same person that chairs the Board. As Peter Warne is Chairman of the Board, he has recently resigned as Chairman of the Audit, Compliance and Risk Management Committee, and Helen Wright, an Independent director, has been appointed as Chair of the Committee in his place. Peter Warne remains on the Committee as an independent member.

The Audit, Compliance and Risk Management Committee meets at least four times a year.

As the Board comprises 50% or more independent directors, an independent compliance committee has not been appointed. The Board has, however, determined that the Audit, Compliance and Risk Management Committee fulfill this role.

Details of the members of the Audit, Compliance and Risk Management Committee and their attendance at meetings are set out in the Directors' Report in the Concise Financial Report on page 26.

Given the small number of staff within the Company, the Company does not have an internal audit function.

Board and Executive Remuneration

Details of Board and Executive remuneration are set out in the Directors' report in the Concise Financial Report commencing on page 26.

Independence and Materiality Thresholds

The Board considers that a director is independent if the director is a non-executive director and:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. within the last three years has not been employed in an executive capacity by the Company or another group member; or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company or another group member other than as a director of the Company;
6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Peter Warne is also a director and the Chairman of Next Financial Pty Limited (Next Financial) which acts as an Investment Manager. Next Financial holds on behalf of its clients 4,417,420 stapled secturities in the ALE Property Group. Peter Warne is not involved in any of the decision making processes regarding Next Financial's holding in the ALE Property Group. Procedures have been put into place to ensure Peter Warne's independence and confidentiality of information are maintained.

Remuneration Committee

The Board has established a Remuneration Committee composed of three non-executive independent directors. Peter Warne is chairman of the committee.

Details of members and meetings held are set out in the Directors' Report in the Concise Financial Report on page 26.

Trading in Securities

ALE has a Trading Policy with which all directors and employees must comply. Directors, employees and their associates may not utilise information obtained by their position for personal gain or for gain of another person. Each director and employee must ensure that any information in their possession that is not publicly available and which may have a material effect on the price or value of ALE's stapled securities, ALE Notes or any derivatives based on either of these (collectively "ALE Securities") is not provided to anyone who may be influenced to subscribe for, buy or sell ALE Securities.

Directors, employees and their associates may buy or sell ALE Securities only during the four week periods following:

- the release of the half-year results;
- the release of the full-year results; and
- close of the AGM.

The Chairman may, in special circumstances, authorise the sale by a director or employee of ALE Securities outside the relevant four week periods outlined above.

All directors and employees are also precluded from buying or selling ALE Securities at any time if they are aware of price sensitive information that has not been made public.

In accordance with provisions of the Corporations Act 2001 and the Listing Rules of the ASX, directors advise the ASX of any transaction conducted by them in ALE Securities.

Investor Relations

ALE is committed to the provision of timely, full and accurate disclosure of material information concerning ALE. ALE has a policy that security holders have equal access to ALE's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The Board encourages full participation of security holders at the AGM. The external auditor will attend the AGM to answer any questions concerning the audit and content of the auditor's report.

ALE Website

All information provided to the ASX is also posted on the ALE website, www.alegroup.com.au.

The ALE website includes various corporate governance documents and policies, such as the Board's Charter, ALE's Code of Conduct and the Audit, Compliance and Risk Management Committee's Charter.

Distributions

Distributions are paid to security holders every six months.

ASX Corporate Governance Council Principles

ALE has adopted best practice corporate governance principles consistent with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

ALE has not fully complied with the following recommendation:

- 2.4 – Nomination Committee
  Given the number of staff employed by the Company and the size of the Board, the Board has determined that it does not require a separate Nomination Committee, and that the Board will fulfill these functions.

Combined Annual Concise Financial Report

FOR THE PERIOD 1 JULY 2004 TO 31 JUNE 2005

Consisting of the combined reports of

Australian Leisure and Entertainment Property Management Limited
ABN 45 105 275 278

and

Australian Leisure and Entertainment Property Trust
ARSN 106 063 049

ALE Property Group

Contents

The directors' of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for ALE Property Group (the "Group") for the year ended 30 June 2005.

The Group is comprised of the Company and Australian Leisure and Entertainment Property Trust (the "Trust") for which the Company acted as Responsible Entity for the full year ended 30 June 2005. Accordingly, this report includes the combined results of the Company and the Trust.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report unless otherwise stated:

Name	Appointed
Non-executive directors	
P H Warne (Chairman)	8 September 2003
J P Henderson	19 August 2003
H I Wright	8 September 2003
Executive directors	
A F O Wilkinson (Managing Director)	16 November 2004
J T McNally	26 June 2003

Principal activities

During the year the principal activity of the Group consisted of investment in property and property funds management. There has been no significant change in the nature of these activities during the year.

Distributions and dividends

Trust distributions paid or payable to stapled security holders during the financial year were as follows:

	2005 $'000	26 June 2003 to 30 June 2004 $'000
Interim Trust distribution for the year ended 30 June 2005 of 6.25 cents (2004: nil) per stapled security paid on 28 February 2005	5,675	–
Final Trust distribution for the year ended 30 June 2005 of 6.60 cents (2004: 7.50 cents) per stapled security to be paid 31 August 2005	5,993	6,810
	11,668	**6,810**

No provisions for or payments of Company dividends have been made during the financial year (2004: nil).

Review of operations

A summary of the combined revenue and results for the financial year is set out below:

	2005 $'000	26 June 2003 to 30 June 2004 $'000
Income		
Property rents and loan interest	45,996	29,479
Bank interest	1,175	715
	47,171	30,194
Expenses		
Borrowing costs excluding (non cash) amortisation	31,523	20,238
Borrowing costs (non cash) amortisation	6,248	3,995
Operating expenses	2,981	1,565
Land tax expense	1,139	545
	41,891	26,343
Income tax (benefit)	(49)	(51)
Net profit after income tax	**5,329**	**3,902**
Net assets per stapled security	**$2.17**	**$1.41**

As a result of all of the property leases being "triple net" the Group has had minimal direct property outgoings other than land tax on the Queensland properties.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the year.

Matters subsequent to the end of the financial year

On 1 September 2005 the Group entered into two further forward dated interest rate swap transactions in respect of its $480m debt facilities. The swaps were $50m at 5.5375% pa fixed (excluding credit margin) from November 2008 to November 2012 and $50m at 5.5475% pa fixed (excluding credit margin) from November 2008 to November 2013. The directors are not aware of any other matter or circumstance occurring after balance date which may affect the Group's operations, the results of those operations or the state of affairs of the Group.

Likely developments and expected results of operations

The Group will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the Group and its value to the stapled security holders.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe that it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

Whilst the Group is subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. On three of the properties ongoing testing is being undertaken and if further work is required indemnities are held in excess of any expenditure amounts required.

Information on directors

Mr Peter H Warne B.A,
Chairman and Non–Executive Director.

Experience and expertise
Peter was appointed as Chairman and non-executive director of the Company in September 2003.

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited ("BTAL") in 1981. Peter held senior positions in the Fixed Income department, the Capital Markets division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business was acquired by Macquarie Bank Limited in 1999.

Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

Other current directorships of listed entities
Non-executive director of SFE Corporation Limited and Macquarie Capital Alliance Group.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Chairman of the board.
– Member of the audit, compliance and risk management committee (resigned as Chairman on 15 August 2005, continuing as member).
– Chairman of the remuneration committee.

Mr John Henderson B.Bldg, MRICS, AAPI,
Non-Executive Director.

Experience and expertise
John was appointed as a non-executive director of the Company in August 2003.

John has been a Director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities.

John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Member of the audit, compliance and risk management committee.
– Member of the remuneration committee.

Ms Helen Wright LL.B, MAICD,
Non-Executive Director.

Experience and expertise
Helen was appointed as a non-executive director of the Company in September 2003.

Helen Wright was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority; was Deputy Chair of the Australia Day Council of NSW to December 2002; and serves on the Advisory Council to The Little Company of Mary (Calvary hospitals). Prior boards include Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

Helen has a Bachelor of Laws from University of NSW, and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Chair of the audit, compliance and risk management committee.
(appointed Chair 15 August 2005).
– Member of the remuneration committee.

Mr Andrew F O Wilkinson B. Bus. CFTP,
Managing Director.

Experience and expertise
Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003.

Andrew has over 25 years experience in the banking and corporate finance.

He was previously a corporate finance partner with PricewaterhouseCoopers where he specialised in providing financial and strategic advice on significant property and infrastructure portfolios. Over his 8 year period with the firm he held a number of senior positions and was also one of the founding members of the NSW Government's Infrastructure Council.

Andrew's prior career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders where he was involved in leading the financing arrangements for a range of major projects.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Managing Director of the Company.
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr James McNally B.Bus (Land Economy). Dip. Law,
Executive Director.

Experience and expertise
James was appointed as an executive director of the Company in June 2003.

James has over ten years experience in the funds management industry having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

James provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including the Company.

James' qualifications include a Bachelor of Business in Land Economy (Hawkesbury Agricultural College) and a Diploma of Law (Legal Practitioners Admission Board). He is a registered valuer and licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr Brendan R Howell BEcon, GDipAppFin (Sec Inst).
Company secretary

Mr Howell was appointed to the position of company secretary in September 2003.

Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and 15 years' experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past six and half years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Directors' and specified executive interests in stapled securities and options

The following directors, specified executive and their associates held or currently hold stapled security interests in the Group:

Name	Director/specified executive	Balance at the start of the year	Purchases / (sales)	Number of securities held
P H Warne	Director	453,400	179,010	632,410
J P Henderson	Director	25,000	30,000	55,000
H I Wright	Director	100,000	–	100,000
A F O Wilkinson	Director	31,998	21,000	52,998
D S Barkas	Specified Executive	–	46,810	46,810

The following director held or currently holds options over stapled securities of the Group:

Name	Director/specified executive	Balance at the start of the year	Purchases / (sales)	Number of options held
A F O Wilkinson	Director	300,000	–	300,000

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2005 and the number of meetings attended by each director at the time the director held office during the year were:

	Board meetings		Audit, Compliance and Risk Management Committee meetings		Remuneration Committee meeting	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	13	13	6	6	1	1
J P Henderson	13	11	6	5	1	1
H I Wright	13	13	6	6	1	1
A F O Wilkinson	7	7	–	–	–	–
J T McNally	13	13	–	–	–	–

[1] "Held" reflects the number of meetings which the director was eligible to attend.

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Equity-based compensation

A Principles used to determine the nature and amount of remuneration

The objectives of the Company's executive reward framework is to ensure that reward for performance is transparent, reasonable, competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creating of value for share holders, and conforms with market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to share holders
- performance linkage/alignment of executive compensation
- transparency
- capital management

Remuneration report (continued)

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to stapled security holders interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in stapled security holder wealth, consisting of distributions, dividends and growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in stapled security holders wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards, depending upon the nature of the executive's new role.

The overall level of executive reward takes into account the performance of the Group over a number of periods with greater emphasis given to the current year. Over the past year, the Group's profit from ordinary activities after income tax has grown by $1.427m (or 36.6%) from $3.902m to $5.280m and stapled security holders' wealth (inclusive of distribution returns) has grown by 68.4%.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may also obtain the advice of independent remuneration consultants to ensure that non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of the non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive options over shares.

Directors' fees

The current base remuneration was last reviewed with effect from September 2003. The directors' fees are all inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit which will be periodically recommended for approval by share holders. The maximum currently stands at $335,000 per annum, comprised of $260,000 per annum for non-executive directors and $75,000 per annum for the executive director (inclusive of a responsible officer fee of $5,000 per annum) and excluding the managing directors' remuneration. The maximum amount for non-executive directors can only be increased at a general meeting of the Company.

Retirement allowances for directors

No retirement allowances for directors are offered by the Company in line with recent guidance on non-executive directors' remuneration.

Remuneration report (continued)

Executive pay
The executive pay and reward framework has three components, the combination of which comprises the executive's total remuneration:

– base pay and benefits
– short-term performance incentives
– long-term incentives
– other remuneration such as superannuation

Base pay and benefits
Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash benefits at the discretion of the executives and the board.

Executives are offered a competitive base pay that comprises the fixed component of their remuneration. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for comparable roles. Base pay for senior executives is reviewed annually to ensure that the executives pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increase in any of the executives' contracts.

Short-term incentives (STI)
The short-term incentive arrangements in place at the Company have been designed to link annual STI bonus awards to executive performance against agreed key performance indicators (KPI's) including the financial performance of the Company during the year in question.

Each executive has a target STI opportunity depending on the accountabilities of the role and the impact on the performance of the Company.

Each year the remuneration committee considers the appropriate targets and KPI's to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payments of STI.

For the year end 30 June 2005, the KPI's link to STI plans were based on Company, individual, business and personal objectives. The KPI's required performance in managing operating and funding costs, compliance with legislative requirements, increasing security holder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

The board is responsible for assessing whether the KPI's have been met. To facilitate this assessment, the board receives detailed reports on performance from management.

The STI payments may be adjusted up or down in line with over or under achievement against the target performance levels. This is at the discretion of the board.

The STI target annual payment is reviewed annually.

Shares options granted
No options over unissued shares of the Company were granted during or since the end of the financial year .

B Details of remuneration

Amount of remuneration
Details of the remuneration of each director and the specific executive of the Company, paid or payable by the Company for the year ended 30 June 2005 are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions are set out in the section headed "Short-term incentives", above. All other elements of remuneration are not directly related to performance.

Remuneration report (continued)

Directors of the Company

Name	Cash Salary and Fees	Cash Bonus	Superannuation	Total
Non-executive directors				
P H Warne (Chairman)	110,092	–	9,908	120,000
J P Henderson	70,000	–	–	70,000
H I Wright	64,220	–	5,780	70,000
Executive directors				
A F O Wilkinson* (Managing Director)	191,954	65,000	15,081	272,035
J T McNally (Director)	81,250	–	–	81,250
Total	**517,516**	**65,000**	**30,769**	**613,285**

* Mr Wilkinson was appointed Managing Director on 16 November 2004. Before this appointment he was the Company's Chief Executive Officer. Amounts shown above include all of Mr Wilkinson's remuneration during the reporting period, whether as Managing Director or Chief Executive Officer. Amounts received in his position as Managing Director amounted to $191,784, made up of cash salary and fees of $117,895, cash bonus of $65,000 and superannuation of $8,889.

Specified executive of the Company

Name	Cash Salary	Cash Bonus	Non monetary benefits	Superannuation	Total
D S Barkas* (Group Financial Controller & Assistant Company Secretary)	127,282	20,000	6,800	10,462	164,544

* Mr Barkas was appointed Group Financial Controller & Assistant Company Secretary on 16 March 2005. Before this he was the Company's Property Trust Manager. Amounts shown above include all of Mr Barkas' remuneration during the reporting period, whether as Group Financial Controller and Assistant Company Secretary or Property Trust Manager.

Amounts received in his position as Group Financial Controller and Assistant Company Secretary amounted to $55,377, made up of cash salary and fees of $25,578, non monetary benefit of $6,800, cash bonus of $20,000 and superannuation of $3,000.

Cash bonuses and options

For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the financial year and the percentage that was forfeited because a person did not meet the performance criteria is set out below.

Name	Paid $	Forfeited %
A F O Wilkinson	65,000	13.3
D S Barkas	20,000	0.0

C Service agreement

On 10 November 2003, the Company entered into a three year service agreement with Managing Director, Mr Wilkinson. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $225,000, to be reviewed annually by the board. A short-term incentive (which if earned, would be paid as a cash bonus each year) and a long-term incentive in the form of options over stapled securities, exercisable between November 2006 and November 2007 (except if the Company is subject to takeover, then to February 2007) are also provided.

Remuneration report (continued)

C Service agreement (continued)
In the event of the termination of Mr Wilkinson's employment contract, amounts are payable for unpaid accrued entitlements, proportion of bonus and option entitlements as at the date of termination. In the event of redundancy termination amounts are payable for base salary, inclusive of superannuation and bonus and option entitlements for the balance of the contract.

Mr Barkas' employment contract may be terminated at one months notice.

There are no other director or executive service agreements.

Letters of appointment have been entered into by each director (excluding the Managing Director) confirming their remuneration and obligations under the Corporations Law and Company constitution.
A letter of appointment has been entered into with MIA Services Pty Limited for the use of the services of Brendan Howell as Company Secretary and as a Responsible Officer of the Company on a continuous basis that may be terminated at any time.

D Equity-based compensation
Options over un-issued stapled securities of the Group were granted during the last financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Mr Wilkinson has the right to subscribe for up to 300,000 shares at a fixed price of $1.036 exercisable from 10 November 2006 or earlier, if Mr Wilkinson's employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable until 10 November 2007, unless the Group is subject to a takeover, in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executive remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of $24,000 at grant date has been independently determined by using a Black-Scholes option pricing model. This technique takes into account factors such as the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date, expected price volatility of the underlying share and the expected dividend yield and the risk-free interest rate for the term of the option.

Stapled securities under option
Unissued stapled securities of the Group under option at the date of this report are as follows:

Date option granted	Expiry date	Issue price of stapled securities	Number under option
10 November 2003	10 November 2007*	$1.036	300,000

* Unless ALE Property Company is subject to a takeover, in which case the period of exercise would be shortened to 11 February 2007.

Stapled securities issued on the exercise of options
No stapled securities of the Group have been issued on the exercise of options, to date.

Insurance of officers
During the financial year, the Company paid a premium of $41,766 (2004: $40,746) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

Under the constitution of the Company, current or former directors and secretaries are indemnified to the full extent permitted by law for liabilities incurred by that person in the discharge of their duties. The constitution provides that the Company will meet the legal costs of that person. This indemnity is subject to certain limitations.

Remuneration report (continued)

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below:

The board of directors has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromised the auditor independence requirements of the Corporations Act 2001 for the following reasons:

– all non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor
– none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32.

	2005 $	2004 $
Audit and review of the financial reports of the Group and other audit work under the Corporations Act 2001		
– in relation to current year	125,705	103,000
– in relation to prior year	60,000	–
Due diligence service	31,300	–
Controls assurance services	7,000	14,000
Tax compliance services	15,000	–
Tax consulting services	24,190	34,000
General accounting advice (including AIFRS)	29,944	8,750
	293,139	**159,750**

Rounding amounts

The Group is of the kind referred to in Class Order 98/0100, 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 in accordance with the Class Order to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Auditors' independence declaration

As lead auditor for the audit of ALE Property Group for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ALE Property Group, comprising Australian Leisure and Entertainment Property Management Limited and Australian Leisure and Entertainment Property Trust and the entities it controlled during the period.

SJ Hadfield

S J Hadfield
Partner

Sydney

6 September 2005

The following commentary is to assist stapled security holders in reviewing and interpreting the combined results of the Group for the year ended 30 June 2005.

The discussion and analysis of the year ended 30 June 2005 results are based upon comparisons of the 30 June 2005 results to those of the period ended 30 June 2004. It is most important to note that the Group commenced operations during the comparative period of 26 June 2003 to 30 June 2004. During November 2003 the Group acquired its first investments properties, issued the bulk of its stapled securities and issued all of its existing debt, being $150m of ALE Notes and $330m of Commercial Mortgage Back Securities.

As a result of the comparative period being a commencement period some key differences have been annualised in order to improve comparability.

Combined statement of financial performance

Net profit after tax was for the year ended 30 June 2005 of $5,329,000 was $1,427,000 (or 36.6%) higher than the $3,902,000 net profit after tax of the comparative period.

- Total revenue from ordinary activities – was higher by $923,000 (or 2.0%) after annualisation. The key drivers of the 2.0 % increase were a portfolio rental review which resulted in a 2.1% increase in the property rental income and loan interest income from November 2004 and stringent cashflow management and investment procedures which boosted bank interest earnings by an annualised 6.4%.
- Borrowing costs (including non cash amortisation) – were higher by $18,000 (or 0.003%) after annualisation. The Group had a fully hedged weighted average interest rate established at IPO of 6.524% and as at 30 June 2005 of 6.527%.
- Land tax expense – was higher by $304,000 or 36.5% after annualisation. In all states other than Queensland ALH, as tenant, pays the land tax rather than the Group. The key drivers of the increase were strong increases in Queensland land values and the fact that the comparative period amount of $545,000 only included one day of land tax on three Queensland properties acquired by the Group on 30 June 2004.
- Property valuation expenses – were higher by $134,000 (or 121.8%). Annualisation is not appropriate as the valuations are only performed annually. The comparative period valuation covered one third of the portfolio whereas the current valuation covered the entire freehold portfolio.
- Acquisition proposal due diligence costs of $177,000 were incurred in relation to due diligence on potential investment property acquisitions that did not proceed to completion.
- Other costs of $2,560,000 representing an increase of $313,000 (or 13.9%) after annualisation. This increase was due to a number of factors including, a progressive staffing of the Group in the comparative period, Group office relocation in August 2004 and increased operational activity during the current period.

Combined statement of financial position

Total assets were $690,939,000 as at 30 June 2005 compared to $625,511,000 as at 30 June 2004. The increase of $65,428,000 (or 10.5%) was driven by a revaluation increment to property investments of $74,800,000, a decrease in cash of $3,613,000, a decrease in amortisation of prepaid borrowing costs of $5,769,000 and a net increase in other assets of $10,000.

Total liabilities were $494,127,000 as at 30 June 2005 compared to $497,160,000 as at 30 June 2004. The decrease of $3,033,000 (or 0.6%) was driven by a reduction in payables of $2,678,000, a decrease in provisions of $819,000, and increase in ALE Notes premium of $479,000 and a decrease in other liabilities of $15,000.

Net assets were $196,812,000 as at 30 June 2005 compared to $128,351,000 as at 30 June 2004. The increase of $68,461,000 (or 53.3%) is as a result of the movements in total assets and total liabilities.

Combined statement of financial position (continued)

Equity was $196,812,000 as at 30 June 2005 compared to $128,351,000 as at 30 June 2004. The increase of $68,461,000 (or 53.3%) was driven by an increase in asset revaluation reserve of $74,800,000, an increase in accumulated losses of $116,000 and a decrease in contributed equity of $6,223,000. The Group's distribution to stapled security holders of available operating cashflows (which exceeded accounting income due to non cash expenses) resulted in the decrease to contributed equity.

The net assets per stapled security as at 30 June 2005 were $2.17 compared to $1.41 as at 30 June 2004.

Combined statement of cash flows

Net cash inflow from operating activities included the rent earned on the portfolio, the interest earned on cash balances held by the Group and the payment of interest expenses on the Group's borrowings.

Net cash outflow from investing activities was an outflow of $168,000 relating to the fit-out of the Group's office premises, website design and construction and other fixed assets.

Net cash outflow from financing activities was an outflow of $12,485,000 which was the total of the June 2004 distribution of $6,810,000 and the December 2004 distribution of $5,675,000.

The net decrease in cash held during the year of $3,613,000 was due to a net decrease in payables of $2,678,000, a net decrease in provisions of $819,000 and other net decreases of $116,000.

combined statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $'000	26 June 2003 to 30 June 2004 $'000
Revenue and expenses from ordinary activities			
Property rental income and loan interest	2	45,996	29,479
Interest income	2(a)	1,175	715
Total revenue from ordinary activities		**47,171**	**30,194**
Borrowing costs excluding amortisation	3	31,523	20,238
Borrowing costs (non-cash) amortisation	4	6,248	3,995
Land tax expense		1,139	545
Property valuation expenses		244	110
Acquisition proposal due diligence		177	–
Salaries, fees and related costs		991	555
Insurance for directors and officers		42	41
Insurance other		70	35
Legal fees		143	73
Corporate advisory services		92	35
Occupancy costs		92	26
Annual reports		52	55
Registry fees		62	37
Accounting fees		65	26
Tax reviews and advice		68	34
Interest rate risk advice		49	86
Other expenses		834	452
Total expenses from ordinary activities		**41,891**	**26,343**
Profit from ordinary activities before income tax expenses		**5,280**	**3,851**
Income tax (benefit)		(49)	(51)
Net profit after income tax attributable to stapled security holders of the Group		**5,329**	**3,902**
Net increment in asset valuations		74,800	40,459
Total revenues, expenses and valuation adjustments attributable to stapled security holders of the Group recognised directly in equity		**74,800**	**40,459**
Total changes in equity attributable to stapled security holders of the Group other than those resulting from transactions with stapled security holders as owners		**80,129**	**44,361**
Distributions paid and payable	5	11,668	6,810
		Cents	Cents
Basic and diluted earnings per stapled security	6	5.87	4.30
Distributions per stapled security held for the full financial year		12.85	7.50

The above combined statement of financial performance should be read in conjunction with the accompanying notes.

combined statement of financial position

AS AT 30 JUNE 2005

	Note	2005 $'000	2004 $'000
Current Assets			
Cash assets	7	19,477	23,090
Receivables		385	325
Prepayments and other assets	8	5,793	6,018
Development property loans	10	11,746	11,746
Total Current Assets		**37,401**	**41,179**
Non-Current Assets			
Property investments	9	625,000	550,200
Development property – loans, deposits and costs	10	14,713	14,713
Prepayments and other assets	8	13,585	19,344
Plant & equipment		141	16
Deferred tax asset		99	59
Total Non-Current Assets		**653,538**	**584,332**
Total Assets		**690,939**	**625,511**
Current Liabilities			
Payables		7,016	9,694
Provisions		6,026	6,845
Other		302	309
Total Current Liabilities		**13,344**	**16,848**
Non-Current Liabilities			
Interest bearing liabilities – CMBS	11	330,000	330,000
Interest bearing liabilities – ALE Notes	11	150,000	150,000
ALE Notes premium		783	304
Deferred tax liability		–	8
Total Non-Current Liabilities		**480,783**	**480,312**
Total Liabilities		**494,127**	**497,160**
Net Assets		**196,812**	**128,351**
Equity			
Contributed equity		81,787	88,010
Asset revaluation reserve	12	115,259	40,459
Accumulated losses		(234)	(118)
Total Equity		**196,812**	**128,351**

		$	$
Net assets per stapled security		2.17	1.41

The above combined statement of financial position should be read in conjunction with the accompanying notes.

combined statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $'000	26 June 2003 to 30 June 2004 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		48,143	30,215
Payments to suppliers and employees (inclusive of goods and services tax)		(11,008)	(1,344)
Recoveries of payments to suppliers – Foster's Group Limited		–	447
Interest received from Foster's Group Limited and bank term deposits		3,505	2,560
Borrowing costs		(31,600)	(14,568)
Net cash inflow from operating activities		**9,040**	**17,310**
Cash flows from investing activities			
Acquisitions of property investments		–	(509,741)
Loans to Foster's Group Limited		–	(23,409)
Deposits on development property investments		–	(2,600)
Pre-acquisition costs on property investments		–	(168)
Plant and equipment		(450)	(20)
Net cash (outflow) from investing activities		**(168)**	**(536,220)**
Cash flows from financing activities			
Proceeds from issue of stapled securities		–	62,000
Proceeds from interest bearing liabilities		–	480,000
Distributions paid		(12,485)	–
Net cash (outflow)/inflow from financing activities		**(12,485)**	**542,000**
Net (decrease)/increase in cash held		**(3,613)**	**23,090**
Cash at beginning of the financial period		23,090	–
Cash at the end of the financial period	7	**19,477**	**23,090**
Non-cash financing activities		–	28,800

The above combined statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 – Basis of preparation of concise financial report

The combined concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the combined concise financial report have been derived from the aggregated full financial report for the financial period. The combined concise financial report cannot be expected to provide as full an understanding of the combined financial performance, combined financial position and financing and investing activities of ALE Property Group as the full financial report.

	2005 $'000	26 June 2003 to 30 June 2004 $'000
Note 2 – Revenue		
Operating activities		
Rental income	43,766	27,468
Interest received on loans to the Foster's Group Limited	2,230	2,011
	45,996	**29,479**
(a) Interest income from:		
Bank term deposit interest	1,175	715
	47,171	**30,194**
Note 3 – Borrowing costs excluding amortisation		
CMBS interest expense inclusive of all swaps	20,429	13,089
ALE Notes interest expense	10,898	7,077
Rating and liquidity fees	196	72
	31,523	**20,238**
Note 4 – Borrowing costs (non-cash) amortisation		
Prepaid borrowing costs	5,769	3,691
Amortisation of ALE Notes premium	479	304
	6,248	**3,995**

The prepaid borrowing costs had no cashflow impact on the Group as they were funded by the issue of Group stapled securities (Note 8 (a) contains further information). The ALE Notes premium is accrued and will have no cashflow impact on the Group until payment on expiry of the ALE Notes (Note 16 (b) contains further information).

Non-cash borrowing costs represent available operating cash amounts that may be used to fund distributions to stapled security holders.

	2005 $'000	26 June 2003 to 30 June 2004 $'000
Note 5 – Distributions		
Distributions recognised during the financial year:		
Interim Trust distribution for the financial year ended 30 Jun 05 of 6.25 cents per stapled security (2004: nil) paid 28 Feb 05	5,675	–
Final Trust distribution for the financial year ended 30 Jun 05 of 6.60 cents per stapled security (2004: 7.50 cents) to be paid 31 Aug 05	5,993	6,810
	11,668	**6,810**

No dividends were paid or are payable by the Company for the full year ended 30 June 2005 (2004: nil).

Note 6 – Earnings per stapled security

	Cents	Cents
Basic earnings per stapled security	5.87	4.30
Diluted earnings per stapled security	5.87	4.30

	No. of securities	No. of securities
Weighted average number of stapled securities are used as the denominator in calculating basic earnings per stapled security	90,800,100	90,800,100
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	90,800,100	90,800,100

		2005 $'000	2004 $'000
Note 7 – Cash assets			
Cash at bank		202	3,643
Deposits		13,775	13,947
Cash reserve		5,500	5,500
		19,477	**23,090**

In order to have the CMBS rated, the cash reserve, which is equal to approximately three months debt service of the CMBS has been set aside by the Group for the term of the CMBS and is therefore restricted.

As at 30 June 2005, the cash assets of the Group had a weighted average interest rate of 5.59% (2004: 5.40%).

Note 8 – Prepayments and other assets

		2005 $'000	2004 $'000
Current			
Corporate advisory services prepaid to 30 June 2005	(a)	–	174
Prepaid expenses		40	30
Other assets		–	45
Capitalised borrowing costs	(b)	5,753	5,769
		5,793	**6,018**
Non-Current			
Rental deposits		–	6
Capitalised borrowing costs	(b)	13,585	19,338
		13,585	**19,344**
Total		**19,378**	**25,362**

(a) On 10 November 2003 $300,000 was paid to Macquarie Bank Limited for advisory services to 30 June 2005.

The Group has expensed the fee as at 30 June 2005.

(b) Reconciliation of capitalised borrowing costs:

	2005 $'000	2004 $'000
Opening unamortised lead manager's incentive fee	25,109	28,800
Amount expensed during the period	(5,769)	(3,691)
Closing balance	19,340	25,109

Note 8 – Prepayments and other assets (continued)

Under the lead manager's incentive offer as originally agreed between the Foster's Group Limited and the lead manager, Macquarie Equity Capital Markets Limited, the lead manager was entitled to be issued with 48,000 stapled securities for each one tenth of a basis point by which the Group's weighted average interest rate on borrowings was less than 7.335% up to a maximum of 28.8 million stapled securities at 6.735%.

The 6.735% target was surpassed with the weighted average interest rate on borrowings for the Group being 6.524% fixed for five years to 10 November 2008.

The fee of $28.8 million was capitalised as a borrowing cost and will continue to be expensed over the remaining term of the five year period to which it relates.

Note 9 – Investment properties

Reconciliation

A reconciliation of the carrying amounts of investment properties at the beginning and end of the current financial year is set out below:

	2005 $'000	2004 $'000
Carrying amount at the beginning of the year	550,200	–
Additions	–	509,741
Revaluation increment	74,800	40,459
Carrying amount at the end of the year	**625,000**	**550,200**

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
New South Wales						
Blacktown Hotel, Blacktown	Nov 03	5,470	6,600	5,800	800	330
Brown Jug Hotel, Fairfield Heights	Nov 03	5,659	6,900	6,200	700	541
Colyton Hotel, Colyton	Nov 03	8,205	9,900	8,900	1,000	695
Crows Nest Hotel, Crows Nest	Nov 03	8,771	10,600	9,600	1,000	829
Kirribilli Hotel, Kirribilli	Nov 03	5,847	6,850	6,400	450	553
Melton Hotel, Auburn	Nov 03	3,112	3,700	3,400	300	288
New Brighton Hotel, Manly	Nov 03	8,865	10,500	9,700	800	835
Pioneer Hotel, Penrith	Nov 03	5,847	6,800	6,400	400	553
Pymble Hotel, Pymble	Nov 03	2,830	3,250	3,100	150	270
Smithfield Tavern, Smithfield	Nov 03	4,150	5,100	4,500	600	350
Total New South Wales Properties		**58,756**	**70,200**	**64,000**	**6,200**	**5,244**
Queensland						
Albany Creek Tavern, Albany Creek	Nov 03	8,394	9,600	9,000	600	606
Albion Hotel, Albion	Nov 03	4,433	5,200	4,800	400	367
Alderley Arms Hotel, Alderley	Nov 03	3,301	4,100	3,500	600	199
Anglers Arms Hotel, Southport	Nov 03	4,433	5,300	4,600	700	167
Balaclava Hotel, Cairns	Nov 03	3,301	3,800	3,500	300	199
Banyo Tavern, Nudgee	Nov 03	3,018	3,500	3,200	300	182
Breakfast Creek Hotel, Breakfast Creek	Nov 03	10,657	11,700	11,500	200	843
Camp Hill Hotel, Camp Hill	Nov 03	2,264	2,750	2,400	350	136
Chardons Corner Hotel, Annerly	Nov 03	1,415	1,500	1,500	–	85

Note 9 – Investment properties (continued)

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
Queensland (continued)						
Dalrymple Hotel, Townsville	Nov 03	3,207	3,700	3,500	200	293
Edinburgh Castle Hotel, Kedron	Nov 03	3,112	3,600	3,300	300	188
Ferny Grove Tavern, Ferny Grove	Nov 03	5,847	6,600	6,200	400	353
Four Mile Creek, Strathpine	Jun 04	3,672	4,600	4,300	300	628
Hamilton Hotel, Hamilton	Nov 03	6,602	7,400	7,100	300	498
Holland Park Hotel, Holland Park	Nov 03	3,773	4,600	3,900	700	127
Imperial Hotel, Beenleigh	Nov 03	2,452	2,900	2,700	200	248
Kedron Park Hotel, Kedron Park	Nov 03	2,264	2,700	2,400	300	136
Kirwan Tavern, Townsville	Nov 03	4,433	5,300	4,800	500	367
Lawnton Tavern, Lawnton	Nov 03	4,433	5,100	4,700	400	267
Miami Hotel, Miami	Nov 03	4,055	4,800	4,300	500	245
Mount Pleasant Tavern, Mackay	Nov 03	1,792	2,200	1,900	300	108
Mt Gravatt Hotel, Mount Gravatt	Nov 03	3,207	3,700	3,300	400	93
Newmarket Hotel, Cairns	Nov 03	2,358	3,000	2,500	500	142
Noosa Reef Hotel, Noosa Heads	Jun 04	6,874	8,300	7,400	900	526
Oxford 152, Bulimba	Nov 03	4,999	5,600	5,700	(100)	701
Palm Beach Hotel, Palm Beach	Nov 03	6,885	8,000	7,400	600	515
Pelican Waters, Caloundra	Jun 04	4,237	4,800	4,500	300	263
Petrie Hotel, Petrie	Nov 03	1,698	1,900	1,800	100	102
Prince of Wales Hotel, Nundah	Nov 03	3,395	3,900	3,700	200	305
Racehorse Hotel, Booval	Nov 03	1,792	1,900	2,100	(200)	308
Redland Bay Hotel, Redland Bay	Nov 03	5,187	5,900	5,500	400	313
Royal Exchange Hotel, Toowong	Nov 03	5,753	6,700	6,000	700	247
Springwood Hotel, Springwood	Nov 03	9,148	10,300	10,000	300	852
Stones Corner Hotel, Stones Corner	Nov 03	5,376	6,500	5,800	700	424
Sunnybank Hotel, Sunnybank	Nov 03	8,205	9,600	8,700	900	495
Vale Hotel Motel, Townsville	Nov 03	5,659	6,700	6,100	600	441
Wilsonton Hotel, Toowoomba	Nov 03	4,527	5,300	4,900	400	373
Woree Tavern, Cairns	Nov 03	1,037	1,100	1,100	–	63
Total Queensland Properties		**167,195**	**194,150**	**179,600**	**14,550**	**12,405**
South Australia						
Aberfoyle Hub, Aberfoyle Park	Nov 03	3,301	4,000	3,800	200	499
Enfield, Clearview	Nov 03	2,452	3,150	2,900	250	448
Eureka, Salisbury	Nov 03	3,301	4,100	3,900	200	599
Exeter, Exeter	Nov 03	1,886	2,350	2,200	150	314
Finsbury, Woodville North	Nov 03	1,603	1,950	1,800	150	197
Gepps Cross, Blair Athol	Nov 03	2,169	2,850	2,600	250	431
Hendon, Royal Park	Nov 03	1,603	2,100	1,800	300	197
Ramsgate, Henley Beach	Nov 03	3,773	4,850	4,400	450	627
Stockade Tavern, Salisbury	Nov 03	4,433	5,500	5,200	300	767
Total South Australian Properties		**24,521**	**30,850**	**28,600**	**2,250**	**4,079**

Note 9 – Investment properties (continued)

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
Victoria						
Ashley, Braybrook	Nov 03	3,961	5,000	4,300	700	339
Bayswater, Bayswater	Nov 03	9,903	12,600	10,600	2,000	697
Blackburn, Blackburn	Nov 03	9,431	11,700	10,100	1,600	669
Blue Bell, Wendouree	Nov 03	1,981	2,700	2,100	600	119
Burvale, Nunawading	Nov 03	9,714	12,400	10,300	2,100	586
Club Hotel, Ferntree Gully	Nov 03	5,093	6,500	5,500	1,000	407
Cramers, Preston	Nov 03	8,300	10,900	8,900	2,000	600
Daveys, Frankston	Nov 03	2,546	3,400	2,800	600	254
Deer Park, Deer Park	Nov 03	6,979	9,200	7,400	1,800	421
Doncaster Hotel/Motel, Doncaster	Nov 03	12,166	15,100	13,000	2,100	834
Elsternwick, Elwood	Nov 03	3,301	4,200	3,500	700	199
Eltham, Eltham	Nov 03	4,716	6,300	5,000	1,300	284
Ferntree Gully Hotel, Ferntree Gully	Nov 03	4,716	6,900	5,100	1,800	384
Gateway, Corio	Nov 03	3,112	4,300	3,300	1,000	188
Keysborough, Keysborough	Nov 03	9,620	12,000	10,200	1,800	580
Mac's Melton, Melton	Nov 03	6,885	8,500	7,400	1,100	515
Meadow Inn, Fawkner	Nov 03	8,111	10,000	8,700	1,300	589
Mitcham, Mitcham	Nov 03	8,583	10,600	9,700	900	1,117
Morwell, Morwell	Nov 03	1,509	2,100	1,600	500	91
Mountain View, Glen Waverly	Nov 03	7,168	9,800	7,700	2,100	532
Olinda Creek, Lilydale	Nov 03	3,961	4,900	4,400	500	439
Pier, Frankston	Nov 03	8,017	9,500	8,600	900	583
Plough, Mill Park	Nov 03	8,488	10,500	9,000	1,500	512
Prince Mark, Doveton	Nov 03	9,809	12,600	10,500	2,100	691
Rifle Club, Williamstown	Nov 03	2,735	3,800	2,900	900	165
Rose Shamrock & Thistle, Reservoir	Nov 03	2,641	3,400	2,800	600	159
Royal Essendon, Essendon	Nov 03	4,338	5,500	4,600	900	262
Royal Exchange, Traralgon	Nov 03	2,169	2,900	2,300	600	131
Royal Sunbury, Sunbury	Nov 03	3,112	4,000	3,400	600	288
Sandbelt Club, Moorabbin	Nov 03	10,846	14,400	11,600	2,800	754
Sandown Park, Noble Park	Nov 03	6,319	7,800	6,900	900	581
Sandringham, Sandringham	Nov 03	4,527	6,200	4,800	1,400	273
Somerville, Somerville	Nov 03	2,641	3,800	2,800	1,000	159
Stamford, Rowville	Nov 03	12,732	15,900	13,700	2,200	968
Sylvania, Campbellfield	Nov 03	5,376	6,800	5,800	1,000	424
Tudor Inn, Cheltenham	Nov 03	5,470	7,000	5,800	1,200	330
Vale, Mulgrave	Nov 03	5,564	7,100	5,900	1,200	336
Victoria, Shepparton	Nov 03	2,264	3,200	2,400	800	136
Village Green, Mulgrave	Nov 03	12,544	15,100	13,500	1,600	956
Westmeadows, Westmeadows	Nov 03	2,735	3,700	3,000	700	265
Young & Jackson, Melbourne	Nov 03	6,131	7,100	6,500	600	369
Total Victorian Properties		**250,214**	**319,400**	**268,400**	**51,000**	**18,186**

Note 9 – Investment properties (continued)

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
Western Australia						
Queens Tavern, Highgate	Nov 03	4,810	5,635	5,100	535	290
Sail & Anchor Hotel, Freemantle	Nov 03	3,113	3,465	3,300	165	188
Wanneroo Villa Tavern, Wanneroo	Nov 03	1,132	1,300	1,200	100	67
Total Western Australian Properties		**9,055**	**10,400**	**9,600**	**800**	**545**
Total Investment Properties		**509,741**	**625,000**	**550,200**	**74,800**	**40,459**

Valuation of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged , on a stand alone property by property basis, 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.

Independent valuations

In accordance with the Group's policy of independently valuing at least one-third of its property portfolio annually, all of the Group's investment properties were independently valued as at 30 June 2005. The revaluations were completed by Peter Spiller (AAPI) of DTZ Australia (NSW) Pty Ltd.

Investment properties

All investment properties are freehold and 100% owned by the Group and are comprised of land, buildings and fixed improvements. The plant, equipment and liquor and gaming licenses are owned by the tenant.

Leasing arrangements

The investment properties are leased to a single tenant under long-term operating leases with rentals payable monthly in advance.

Conditional acquisition of development properties

During November 2003 the Group entered into conditional sale contracts with subsidiaries of Foster's Group Limited to acquire seven properties that were subject to development at the time. The conditional sale contracts are conditional upon satisfactory completion of the developments. At 30 June 2005, four of the properties are yet to be acquired. (Refer Note 10 for further information).

Note 10 – Development properties – loans, deposits and costs

As at 30 June 2005:

Property	Deposits at 10% of Purchase Price $'000	Loans to Foster's Group Limited $'000	Acquisition Costs $'000	Total Cost $'000
Current				
Caloundra Hotel, Caloundra, QLD	–	3,832	–	3,832
Narrabeen Sands Hotel, Narrabeen, NSW	–	7,914	–	7,914
	–	**11,746**	**–**	**11,746**
Non-Current				
Caloundra Hotel, Caloundra, QLD	426	–	74	500
Narrabeen Sands Hotel, Narrabeen, NSW	879	–	152	1,031
Burleigh Heads Hotel, Burleigh Heads, QLD	657	5,915	114	6,686
Parkway Hotel, Frenchs Forest, NSW	638	5,748	110	6,496
	2,600	**11,663**	**450**	**14,713**
Total	**2,600**	**23,409**	**450**	**26,459**

As at 30 June 2004:

Property	Deposits at 10% of Purchase Price $'000	Loans to Foster's Group Limited $'000	Acquisition Costs $'000	Total Cost $'000
Current				
Caloundra Hotel, Caloundra, QLD	–	3,832	–	3,832
Narrabeen Sands Hotel, Narrabeen, NSW	–	7,914	–	7,914
	–	**11,746**	**–**	**11,746**
Non-Current				
Caloundra Hotel, Caloundra, QLD	426	–	74	500
Narrabeen Sands Hotel, Narrabeen, NSW	879	–	152	1,031
Burleigh Heads Hotel, Burleigh Heads, QLD	657	5,915	114	6,686
Parkway Hotel, Frenchs Forest, NSW	638	5,748	110	6,496
	2,600	**11,663**	**450**	**14,713**
Total	**2,600**	**23,409**	**450**	**26,459**

Note 11 – Interest bearing liabilities

	2005 $'000	2004 $'000
Commercial mortgage backed securities (CMBS)	330,000	330,000
ALE Notes on issue	150,000	150,000
	480,000	**480,000**

The CMBS borrowings are secured by, among other things, first ranking real property mortgages over all of the investment properties and have scheduled maturity dates of 10 November 2008 and final maturity dates of 10 November 2010. The ALE Notes are unsecured and have a maturity date of 30 September 2011.

The Group's variable interest rate exposure is fully hedged (100% fixed) up until 10 November 2008 on current borrowings. This has been achieved by the use of variable rate borrowings swapped to fixed rates by using interest rate swaps.

Note 11 – Interest bearing liabilities (continued)

The Group's weighted average interest rate as at year end was:–

	2005 %	2004 %
CMBS – $230 million variable rate	6.400	6.210
CMBS – $100 million fixed rate	6.660	6.660
CMBS – $330 million weighted average of variable and fixed	**6.479**	**6.346**
ALE Notes – $150 million fixed	7.265	7.265
Total weighted average interest rate of CMBS and ALE Notes	**6.724**	**6.633**
Net impact of swaps – net $230 million (refer Note 22(d))	(0.824)	(0.227)
Total Group weighted average interest rate	**6.527**	**6.524**

Note 12 – Asset Revaluation Reserve

	Note	2005 $'000	2004 $'000
(i) Nature and purpose of reserve The assets revaluation reserve is used to record increments and decrements in the fair vale value of investment properties.			
(ii) Movements in reserve			
Balance at the beginning of the financial year		40,459	–
Movements in valuations of investment properties	9	74,800	40,459
Balance at the end of the financial year		**115,259**	**40,459**

Note 13 – Segment information

Business segment

The Group operates solely in the property investment and property funds management industry.

Geographical segment

The Group owns property solely within Australia.

Note 14 – Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

Note 15 – Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

To comply with the AIFRS for the first time the Group will be required to restate its comparative financial statements to reflect the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Group has initiated a project to manage the transition to AIFRS, under the management of the Group Financial Controller. All of the AIFRS have been analysed and the required accounting policy changes have been identified. In some cases, choices of accounting policies are available, including elective exemptions under Accounting Standard AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected material financial effects of adopting AIFRS are shown for each line item in the statement of financial performance and the statement of financial position with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based upon management's best knowledge of expected standards and interpretations and current facts and circumstances, the adjustments may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore, until the Group prepares its first full AIFRS financial statements the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Note 15 – Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the combined statement of financial performance

	Note	Existing AGAAP 2005 $'000	Effect of Change 2005 $'000	AIFRS 2005 $'000
Revenue and expenses from ordinary activities				
Property rental income & loan interest		45,996	–	45,996
Revaluation of investment properties	(a)	–	74,800	74,800
Interest income		1,175	–	1,175
Total revenue from ordinary activities		**47,171**	**74,800**	**121,971**
Borrowing costs excluding amortisation		31,523	–	31,523
Borrowing costs (non-cash) amortisation		6,248	–	6,248
Land tax expense		1,139	–	1,139
Property valuation expenses		244	–	244
Acquisition proposal due diligence		177	–	177
Salaries, fees and related costs	(b)	991	8	999
Insurance for directors and officers		42	–	42
Insurance other		70	–	70
Legal fees		143	–	143
Corporate advisory services		92	–	92
Occupancy costs		92	–	92
Annual reports		52	–	52
Registry fees		62	–	62
Accounting fees		65	–	65
Tax reviews and advice		68	–	68
Interest rate risk advice		49	–	49
Other expenses		834	–	834
Total expenses from ordinary activities		**41,891**	**8**	**41,899**
Profit from ordinary activities before income tax expenses		**5,280**	**74,792**	**80,072**
Income tax benefit		(49)	–	(49)
Net profit after income tax attributable to Stapled security holders of the Group		**5,329**	**74,792**	**80,121**
Net increment in asset valuations		74,800	(74,800)	–
Total revenues, expenses and valuation adjustments attributable to stapled security holders of the Group recognised directly in equity		**74,800**	**(74,800)**	**–**
Total changes in equity attributable to stapled security holders of the Group other than those resulting from transactions with stapled security holders as owners		**80,129**	**(8)**	**80,121**
Distributions paid and payable		11,668	–	11,668

	Cents	Cents	Cents
Basic and diluted earnings per stapled security	5.87	–	88.24
Distributions per stapled security held for the full financial year	12.85	–	12.85

Note 15 – Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the combined statement of financial position

	Note	Existing AGAAP 2005 $'000	Effect of Change 2005 $'000	AIFRS 2005 $'000
Current Assets				
Cash assets		19,477	–	19,477
Receivables		385	–	385
Prepayments and other assets		5,793	–	5,793
Loans		11,746	–	11,746
Total Current Assets		**37,401**	**–**	**37,401**
Non-Current Assets				
Deferred tax asset		99	–	99
Property investments		625,000	–	625,000
Development property – loans, deposits and costs		14,713	–	14,713
Prepayment		13,585	–	13,585
Plant & equipment		141	–	141
Total Non-Current Assets		**653,538**	**–**	**653,538**
Total Assets		**690,939**	**–**	**690,939**
Current Liabilities				
Payables		7,016	–	7,016
Provisions		6,026	–	6,026
Other		302	–	302
Total Current Liabilities		**13,344**	**–**	**13,344**
Non-Current Liabilities				
Interest bearing liabilities – CMBS		330,000	–	330,000
Interest bearing liabilities – ALE Notes		150,000	–	150,000
ALE Notes premium		783	–	783
Deferred tax liability		–	–	–
Total Non-Current Liabilities		**480,783**	**–**	**480,783**
Total Liabilities		**494,127**	**–**	**494,127**
Net Assets		**196,812**	**–**	**196,812**
Equity				
Contributed equity		81,787	–	81,787
Asset revaluation reserve	(a)	115,259	(115,259)	–
Share based payments reserve	(b)	–	13	13
Accumulated (losses) / retained profits		(234)	115,246	115,012
Total Equity		**196,812**	**–**	**196,812**

	$		$
Net assets per stapled security	2.17	–	2.17

Note 15 – Impacts of adopting Australian equivalents to IFRS (continued)

(a) Investment properties
Under the new AASB140 Investment Property, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in the net profit or loss for the period in which they arise.

This will result in a change to the current accounting policy which requires that fair value increments be recognised in the asset revaluation reserve in the statement of financial position, except to the extent that they reverse a decrement previously recognised as an expense in the profit and loss account, and fair value decrements be recognised in the profit and loss account, except to the extent that they reverse an increment previously recognised in the asset revaluation reserve.

If the policy required by AASB 140 had been applied during the year ended 30 June 2005 retained earnings at 30 June 2005 would have been $115,259,000 higher, revaluation of investment properties for the year ended 30 June 2005 would have been $74,800,000 higher and the asset revaluations reserve at 30 June 2005 would have been $115,259,000 lower.

(b) Equity based compensation benefits
Under AASB 2 Share-based Payment, the Group is required to recognise an expense for those options issued to employees after 7 November 2002 that vest after 1 January 2005. The options are measured at their grant date based on their fair value and the aggregate amount is allocated evenly over the vesting period.

This will result in a change to the current accounting policy, under which no expense is recognised for options granted over un-issued shares to the Managing Director for nil monetary consideration.

The fair value of the options issued to Andrew Wilkinson on 10 November 2003 was $24,000 at grant date. The vesting period is three years ending 10 November 2006.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005 then,

– the salaries, fees and related costs would have been $8,000 higher, with a corresponding increase in the net movement in the share based payment reserve; and
– the accumulated losses would have been $13,000 higher with a corresponding increase in the share based payment reserve.

(c) Financial instruments
The Group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments : Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the Group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 December 2005 and 30 June 2006 financial reports.

Changes applicable from 1 July 2005:

Fair value of interest rate swaps
In accordance with AASB 139, interest rate swaps as derivatives are initially recognised at fair value on the date the swap agreements are entered into and are subsequently remeasured to their fair value. Changes in fair value are either taken to the statement of financial performance or an equity reserve, depending on whether the criteria for hedge accounting are satisfied at the transition date (1 July 2005). The Group does not intend on achieving hedge accounting, changes in the fair value of the swaps will be recognised in the statement of financial performance.

Capitalised borrowing establishment costs (lead manager's incentive fee)
Under AASB 139, capitalised borrowing establishment costs will be reclassified to interest bearing liabilities thereby reducing the value of the related liability. Amortisation of the capitalised borrowing costs, which will accrete the interest bearing liabilities to the principal payable at maturity, will change from a straight-line basis to an effective yield basis. This will result in lower amortisation charges through the statement of performance at the start of the debt facility term and higher amortisation charges at the end the debt facility term.

Note 15 – Impact of adopting Australian equivalents to IFRS (continued)

Loans and receivables and financial liabilities
Their classifications will remain unchanged. Consistent with AASB 139, measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

Consequently, the amortisation of the redemption premium on the ALE Notes will change from a straight line basis to an effective yield basis to accrete the ALE Notes to the principal payable at maturity.

Disclosure and presentation of equity
Currently "Units on Issue" are treated as equity. According to AASB 132, "Units on Issue" are treated as a financial liability if the constitution requires the scheme to buy back units at the option of the unit holder. This occurs at the termination date of the Trust and Sub-Trust and is set at the eightieth anniversary of the commencement date less 1 day.

In order to resolve this, the wording in the trust constitutions was changed on 28 June 2005 to ensure the "Units on Issue" satisfy the criteria for them to continue to be classified as equity. Management is of the view that going forward the debt and equity classification applicable to the "Units on Issue" and the Group's stapled securities will remain unchanged under AIFRS.

Note 16 – Full financial report

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you. Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au.

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Group for the period ended 30 June 2005 as set out on pages 33 to 50 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the combined entity as the full financial report, which as indicated in Note 16, is available on request.

The directors have been given the declarations by the Managing Director and Group Financial Controller and Assistant Company Secretary, as Chief Executive Officer and Chief Financial Officer equivalents, as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Independent audit report to the stapled securityholders of ALE Property Group

Matters relating to the electronic presentation of the audited financial report
This audit report relates to the concise financial report of ALE Property Group for the financial year ended 30 June 2005 included on ALE Property Group's web site. The directors of Australian Leisure and Entertainment Property Management Limited are responsible for the integrity of the ALE Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion
In our opinion, the concise financial report of ALE Property Group (the Group) for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope
The financial report and directors' responsibility
The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis and notes to the financial statements and the directors' declaration for the Group, comprising Australian Leisure and Entertainment Property Management Limited and Australian Leisure and Entertainment Property Trust and the entities it controlled, for the year ended 30 June 2005.

The directors of Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach
We conducted an independent audit of the concise financial report in order to express an opinion to the stapled securityholders of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We also performed an independent audit of the full financial report of the Group for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 16 August 2005 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

– testing that the information included in the concise financial report is consistent with the information in the full financial report, and
– examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJHadfield

S J Hadfield
Partner

Sydney
6 September 2005

Annual Concise Financial Report

FOR THE PERIOD 1 JULY 2004 TO 31 JUNE 2005

Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

Contents

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2005.

Directors

The following persons were directors of the Company during the whole of the financial year and up until the date of this report unless otherwise stated:

Name	Appointed
Non-executive directors	
P H Warne (Chairman)	8 September 2003
J P Henderson	19 August 2003
H I Wright	8 September 2003
Executive directors	
A F O Wilkinson (Managing Director)	16 November 2004
J T McNally	26 June 2003

Principal Activities

During the period the principal activity of the Company consisted of property funds management and acting as responsible entity for the Australian Leisure and Entertainment Property Trust (the "Trust").

Dividends

No provisions for or payments of Company dividends have been made during the financial year (2004: nil).

Review of Operations

A summary of the revenue and results for the financial year is set out below:

	2005 $	26 June 2003 to 30 June 2004 $
Income		
Management fee income	2,185,120	996,548
Bank interest	20,382	2,997
	2,205,502	**999,545**
Expenses		
Operating expenses	2,337,906	1,196,088
	2,337,906	**1,196,088**
Income tax (benefit) / expense	(39,368)	(58,568)
Net (loss) after income tax	**(93,036)**	**(137,975)**
Net assets per share	**0.10**	**0.10**

Significant changes in the state of affairs
In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the period, other than those changes otherwise identified in this financial report.

Matters Subsequent to the end of the financial year
The directors are not aware of any matter or circumstance occurring after balance date which may affect the Company's operations, the results of those operations or the state of affairs of the Company.

Likely Developments and expected results of operations
The Company will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the ALE Property Group (the "Group") and its value to its shareholders.

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe that it would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation
Whilst the Company is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. On three of the properties ongoing testing is being undertaken and if further work is required indemnities are held in excess of any expenditure amounts required.

Information on directors

Mr Peter H Warne B.A, Chairman and Non–Executive Director.

Experience and expertise
Peter was appointed as Chairman and non-executive director of the Company in September 2003.

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited ("BTAL") in 1981. Peter held senior positions in the Fixed Income department, the Capital Markets division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business was acquired by Macquarie Bank Limited in 1999.

Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

Other current directorships of listed entities
Non-executive director of SFE Corporation Limited and Macquarie Capital Alliance Group.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Chairman of the board.
- Member of the audit, compliance and risk management committee (resigned as Chairman on 15 August 2005, continuing as member).
- Chairman of the remuneration committee.

Mr John Henderson (B.Bldg, MRICS, AAPI), Non-Executive Director.

Experience and expertise
John was appointed as a non-executive director of the Company in August 2003.

John has been a Director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities.

John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Member of the audit, compliance and risk management committee.
- Member of the remuneration committee.

Ms Helen Wright LL.B, MAICD, Non-Executive Director.

Experience and expertise
Helen was appointed as a non-executive director of the Company in September 2003.

Helen Wright was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority; was Deputy Chair of the Australia Day Council of NSW to December 2002; and serves on the Advisory Council to The Little Company of Mary (Calvary hospitals). Prior boards include Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

Helen has a Bachelor of Laws from University of NSW, and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Chair of the audit, compliance and risk management committee. (appointed Chair 15 August 2005).
- Member of the remuneration committee.

Mr Andrew F O Wilkinson (B. Bus. CFTP), Managing Director.

Experience and expertise
Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003.

Andrew has over 25 years experience in the banking and corporate finance.

He was previously a corporate finance partner with PricewaterhouseCoopers where he specialised in providing financial and strategic advice on significant property and infrastructure portfolios. Over his 8 year period with the firm he held a number of senior positions and was also one of the founding members of the NSW Government's Infrastructure Council.

Andrew's prior career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders where he was involved in leading the financing arrangements for a range of major projects.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Managing Director of the Company.
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr James McNally (B.Bus (Land Economy). Dip. Law), Executive Director.

Experience and expertise
James was appointed as an executive director of the Company in June 2003.

James has over ten years experience in the funds management industry having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

James provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including the Company.

James' qualifications include a Bachelor of Business in Land Economy (Hawkesbury Agricultural College) and a Diploma of Law (Legal Practitioners Admission Board). He is a registered valuer and licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr Brendan R Howell BEcon, GDipAppFin (Sec Inst). Company secretary

Mr Howell was appointed to the position of company secretary in September 2003.

Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and 15 years' experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past six and half years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Directors' and specified executive interests in shares and options

The following directors, specified executive and their associates held or currently hold share interests in the Company:

Name	Director/specified executive	Balance at the start of the year	Purchases / (sales)	Number of shares held
P H Warne	Director	453,400	179,010	632,410
J P Henderson	Director	25,000	30,000	55,000
H I Wright	Director	100,000	–	100,000
A F O Wilkinson	Director	31,998	21,000	52,998
D S Barkas	Specified Executive	–	46,810	46,810

The following director held or currently holds options over shares of the Company:

Name	Director/specified executive	Balance at the start of the year	Purchases / (sales)	Number of options held
A F O Wilkinson	Director	300,000	–	300,000

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2005 and the number of meetings attended by each director at the time the director held office during the year were:

	Board meetings		Audit, Compliance and Risk Management Committee meetings		Remuneration Committee meeting	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	13	13	6	6	1	1
J P Henderson	13	11	6	5	1	1
H I Wright	13	13	6	6	1	1
A F O Wilkinson	7	7	–	–	–	–
J T McNally	13	13	–	–	–	–

[1] "Held" reflects the number of meetings which the director was eligible to attend.

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Equity-based compensation

A Principles used to determine the nature and amount of remuneration

The objectives of the Company's executive reward framework is to ensure that reward for performance is transparent, reasonable, competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creating of value for security holders, and conforms with market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

– competitiveness and reasonableness
– acceptability to share holders
– performance linkage/alignment of executive compensation
– transparency
– capital management

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to stapled security holders interests:

– has economic profit as a core component of plan design
– focuses on sustained growth in stapled security holder wealth, consisting of distributions, dividends and growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
– attracts and retains high calibre executives

Alignment to program participants' interests:

– rewards capability and experience
– reflects competitive reward for contribution to growth in stapled security holders wealth
– provides a clear structure for earning rewards
– provides recognition for contribution

The framework provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards, depending upon the nature of the executive's new role.

The overall level of executive reward takes into account the performance of the Group over a number of periods with greater emphasis given to the current year. Over the past year, the Group's profit from ordinary activities after income tax has grown by $1.427m (or 36.6%) from $3.902m to $5.280m and stapled security holders' wealth (inclusive of distribution returns) has grown by 68.4%.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may also obtain the advice of independent remuneration consultants to ensure that non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of the non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive options over securities.

Remuneration report (continued)

Directors' fees
The current base remuneration was last reviewed with effect from September 2003. The directors' fees are all inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit which will be periodically recommended for approval by share holders. The maximum currently stands at $335,000 per annum, comprised of $260,000 per annum for non-executive directors and $75,000 per annum for the executive director (inclusive of a responsible officer fee of $5,000 per annum) and excluding the managing directors' remuneration. The maximum amount for non-executive directors can only be increased at a general meeting of the Company.

Retirement allowances for directors
No retirement allowances for directors are offered by the Company in line with recent guidance on non-executive directors' remuneration.

Executive pay
The executive pay and reward framework has three components, the combination of which comprises the executive's total remuneration:

- base pay and benefits
- short-term performance incentives
- long-term incentives
- other remuneration such as superannuation

Base pay and benefits
Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash benefits at the discretion of the executives and the board.

Executives are offered a competitive base pay that comprises the fixed component of their remuneration. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for comparable roles. Base pay for senior executives is reviewed annually to ensure that the executives pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increase in any of the executives' contracts.

Short-term incentives (STI)
The short-term incentive arrangements in place at the Company have been designed to link annual STI bonus awards to executive performance against agreed key performance indicators (KPI's) including the financial performance of the Company during the year in question.

Each executive has a target STI opportunity depending on the accountabilities of the role and the impact on the performance of the Company.

Each year the remuneration committee considers the appropriate targets and KPI's to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payments of STI.

For the year end 30 June 2005, the KPI's link to STI plans were based on Company, individual, business and personal objectives. The KPI's required performance in managing operating and funding costs, compliance with legislative requirements, increasing security holder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

The board is responsible for assessing whether the KPI's have been met. To facilitate this assessment, the board receives detailed reports on performance from management.

The STI payments may be adjusted up or down in line with over or under achievement against the target performance levels. This is at the discretion of the board.

The STI target annual payment is reviewed annually.

Remuneration report (continued)

Security options granted

No options over unissued stapled securities were granted during or since the end of the financial year.

B Details of remuneration

Amount of remuneration

Details of the remuneration of each director and the specific executive of the Company, paid or payable by the Company for the year ended 30 June 2005 are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions are set out in the section headed "Short-term incentives", above. All other elements of remuneration are not directly related to performance.

Directors of the Company

Name	Cash Salary and Fees	Cash Bonus	Superannuation	Total
Non-executive directors				
P H Warne (Chairman)	110,092	–	9,908	120,000
J P Henderson	70,000	–	–	70,000
H I Wright	64,220	–	5,780	70,000
Executive directors				
A F O Wilkinson* (Managing Director)	191,954	65,000	15,081	272,035
J T McNally (Director)	81,250	–	–	81,250
Total	**517,516**	**65,000**	**30,769**	**613,285**

* Mr Wilkinson was appointed Managing Director on 16 November 2004. Before this appointment he was the Company's Chief Executive Officer. Amounts shown above include all of Mr Wilkinson's remuneration during the reporting period, whether as Managing Director or Chief Executive Officer. Amounts received in his position as Managing Director amounted to $191,784, made up of cash salary and fees of $117,895, cash bonus of $65,000 and superannuation of $8,889.

Specified executive of the Company

Name	Cash Salary	Cash Bonus	Non monetary benefits	Superannuation	Total
D S Barkas* (Group Financial Controller & Assistant Company Secretary)	127,282	20,000	6,800	10,462	164,544

* Mr Darren Barkas was appointed Group Financial Controller & Assistant Company Secretary on 16 March 2005. Before this he was the Company's Property Trust Manager. Amounts shown above include all of Mr Barkas' remuneration during the reporting period, whether as Company Financial Controller and Assistant Company Secretary or Property Trust Manager.

Amounts received in his position as Group Financial Controller and Assistant Company Secretary amounted to $55,377, made up of cash salary and fees of $25,578, non monetary benefit of $6,800, cash bonus of $20,000 and superannuation of $3,000.

Cash bonuses and options

For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the financial year and the percentage that was forfeited because a person did not meet the performance criteria is set out below.

Name	Paid $	Forfeited %
A F O Wilkinson	65,000	13.3
D S Barkas	20,000	0.0

Remuneration report (continued)

C Service agreement

On 1 November 2003, the Company entered into a three year service agreement with Managing Director, Mr Wilkinson. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $225,000, to be reviewed annually by the board. A short-term incentive (which if earned, would be paid as a cash bonus each year) and a long-term incentive in the form of options over shares, exercisable between November 2006 and November 2007 (except if the Company is subject to takeover, then to February 2007) are also provided.

In the event of the termination of Mr Wilkinson's employment contract, amounts are payable for unpaid accrued entitlements, proportion of bonus and option entitlements as at the date of termination. In the event of redundancy termination amounts are payable for base salary, inclusive of superannuation and bonus and option entitlements for the balance of the contract.

Mr Barkas' employment contract may be terminated at one months notice.

There are no other director or executive service agreements.

Letters of appointment have been entered into by each director (excluding the Managing Director) confirming their remuneration and obligations under the Corporations Law and Company constitution.

A letter of appointment has been entered into with MIA Services Pty Limited for the use of the services of Brendan Howell as Company Secretary and as a Responsible Officer of the Company on a continuous basis that may be terminated at any time.

D Shared-based compensation

Options over un-issued stapled securities were granted during the last financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Mr Wilkinson has the right to subscribe for up to 300,000 securities at a fixed price of $1.036 exercisable from 10 November 2006 or earlier, if Mr Wilkinson's employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable until 10 November 2007, unless the ALE Property Company is subject to a takeover, in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executive remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of $24,000 at grant date has been independently determined by using a Black-Scholes option pricing model. This technique takes into account factors such as the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date, expected price volatility of the underlying share and the expected dividend yield and the risk-free interest rate for the term of the option.

Stapled securities under option

Unissued stapled securities under option at the date of this report are as follows:

Date option granted	Expiry date	Issue price of stapled securities	Number under option
10 November 2003	10 November 2007*	$1.036	300,000

* Unless ALE Property Company is subject to a takeover, in which case the period of exercise would be reduced to 11 February 2007

Stapled securities issued on the exercise of options

No stapled securities have been issued on the exercise of options, to date.

Remuneration report (continued)

D Shared-based compensation (continued)

Insurance of officers

During the financial year, the Company paid a premium of $41,766 (2004: $40,746) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

Under the constitution of the Company, current or former directors and secretaries are indemnified to the full extent permitted by law for liabilities incurred by that person in the discharge of their duties. The constitution provides that the Company will meet the legal costs of that person. This indemnity is subject to certain limitations.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below:

The board of directors has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

– all non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor
– none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 65.

During the period the auditor of the Group earned the following remuneration:

	2005 $	2004 $
Audit and review of the financial reports of the Group and other audit work under the Corporations Act 2001*		
– in relation to current year	125,705	103,000
– in relation to prior year	60,000	–
Due diligence service	31,300	–
Controls assurance services	7,000	14,000
Tax compliance services	15,000	–
Tax consulting services	24,190	34,000
General accounting advice (including AIFRS)	29,944	8,750
	293,139	**159,750**

* Includes amounts allocated to the Company of $74,300 (2004: $41,200).

Rounding amounts

The Company is of the kind referred to in Class Order 98/0100, 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 in accordance with the Class Order to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Auditors' independence declaration

As lead auditor for the audit of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Leisure and Entertainment Property Management Limited during the period.

S J Hadfield
Partner

Sydney

6 September 2005

The following commentary is to assist shareholders in reviewing and interpreting the results of the Company for the year ended 30 June 2005.

Statement of financial performance

Net loss after tax was $93,036. The material aspects of the actual result were:

– Management fee income from the Trust was $2,185,120.

– Management costs – total for the period was $2,337,906 and included salaries and directors expenses, audit, advisory and legal fees and a range of other expenses incurred in managing the affairs of the Group.

– Taxation benefit of $39,368 arising from the loss in the Company.

– The reimbursements in the current period did not fully recover the management costs due to minor timing differences.

Statement of financial position

As at 30 June 2005 total assets were $9,692,625, total liabilities were $843,626 and net assets were $8,848,999. The reduction in net assets of $93,036 from the 30 June 2004 total of $8,942,035 is a result of the net loss after tax of $93,036.

At 30 June 2005 the Company held $156,682 of cash at bank to provide for the Company's day to day liquidity requirements.

The net asset per share issued at 30 June 2005 was $0.10 and as at 30 June 2004 was $0.10.

Statement of cash flows

Net cash inflow from operating activities includes the payment of the Company's expenses incurred in managing the affairs of the Group and the reimbursement for these expenses from the Trust during the year. Net cash inflow from operating activities was $217,245.

Net cash outflow from investing activities was an outflow of $168,033 relating to the fit-out of the Company's office premises, website design and construction and other fixed assets.

There were no cash flows from financing activities during the year.

The net increase in cash held of $49,212 results from the net cash inflow from operating activities of $217,245 and the net cash outflow from investing activities of $168,033.

statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $	26 June 2003 to 30 June 2004 $
Revenue and expenses from ordinary activities			
Management fees	2	2,185,120	996,548
Interest income		20,382	2,997
Total revenue from ordinary activities		**2,205,502**	**999,545**
Salaries, fees and related costs		971,204	540,398
Acquisition proposal due diligence	3	177,343	–
Legal fees		143,012	73,069
Insurance for directors and officers		41,766	40,746
Auditor's remuneration for audit services – relating to current year		125,750	103,000
Auditor's remuneration for audit services – relating to prior year		60,000	–
Insurance other		69,791	34,873
Annual reports		51,967	55,000
Registry fees		62,131	36,775
Information systems		35,721	26,455
Occupancy costs		91,622	25,570
Accounting fees		64,762	26,343
Tax reviews and advice		68,277	34,000
Corporate advisory services		91,783	34,855
Interest rate risk advice		48,820	86,075
ASX and ASIC fees		39,805	3,217
Travel and accommodation		27,068	10,078
Depreciation – plant & equipment		22,248	3,514
Marketing expenses		20,744	10,904
Communications expenses		11,726	1,896
Dues and subscriptions		10,243	2,125
Other expenses		102,123	47,195
Total expenses from ordinary activities		**2,337,906**	**1,196,088**
(Loss) from ordinary activities before income tax benefit		**(132,404)**	**(196,543)**
Income tax (benefit)		(39,368)	(58,568)
Net (loss) after income tax attributable to shareholders of the Company		**(93,036)**	**(137,975)**
Total revenues, expenses and valuation adjustments attributable to shareholders of the Company recognised directly in equity		–	–
Total changes in equity attributable to shareholders of the Company other than those resulting from transactions with shareholders as owners		**(93,036)**	**(137,975)**

	Note	Cents	Cents
Basic and diluted (loss) per share	4	(0.10)	(0.15)
Dividends per share held for the full financial year		–	–

The above statement of financial performance should be read in conjunction with the accompanying notes.

statement of financial position

AS AT 30 JUNE 2005

	2005 $	2004 $
Current Assets		
Cash assets	156,682	107,470
Receivables	186,087	220,378
Loan to related party	–	646,548
Prepayments	31,275	22,315
Total Current Assets	**374,044**	**996,711**
Non-Current Assets		
Deferred tax asset	97,936	58,568
Receivables	–	5,958
Plant and equipment	140,635	16,545
Investment in related party	9,080,010	9,080,010
Total Non-Current Assets	**9,318,581**	**9,161,081**
Total Assets	**9,692,625**	**10,157,792**
Current Liabilities		
Payables	460,500	468,154
Provisions	33,279	34,931
Loan from related party	349,847	712,672
Total Current Liabilities	**843,626**	**1,215,757**
Total Liabilities	**843,626**	**1,215,757**
Net Assets	**8,848,999**	**8,942,035**
Equity		
Contributed equity	9,080,010	9,080,010
Accumulated losses	(231,011)	(137,975)
Total Equity	**8,848,999**	**8,942,035**
Net assets per share	0.10	0.10

The above statement of financial position should be read in conjunction with the accompanying notes.

statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	2005 $	26 June 2003 to 30 June 2004 $
Cash flows from operating activities		
Expense recoveries	269,166	–
Management fees and expense recoveries from related parties	8,890,000	1,062,672
Cash payments in the course of operations	(8,961,779)	(937,183)
Interest received	19,858	2,040
Net cash inflow from operating activities	**217,245**	**127,529**
Cash flows from investing activities		
Payments for investments	–	(6,200,010)
Payments for property, plant and equipment	(168,033)	(20,059)
Net cash (outflow) from investing activities	**(168,033)**	**(6,220,069)**
Cash flows from financing activities		
Proceeds from issue of shares	–	6,200,010
Net cash inflow from financing activities	**–**	**6,200,010**
Net increase in cash held	**49,212**	**107,470**
Cash at beginning of the financial period	107,470	–
Cash at the end of the financial period	**156,682**	**107,470**
Non-cash investing activities	–	2,880,000
Non-cash financing activities	–	2,880,000

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

Note 1 – Summary of significant accounting policies
The concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the financial period. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

	2005 $	26 June 2003 to 30 June 2004 $
Note 2 – Management fees		
Management fees	2,185,120	996,548
Fees charged to the Trust by the Company for management and responsible entity services.		
Note 3 – Acquisition proposal due diligence		
Acquisition proposal due diligence	177,343	–

Costs incurred by the Company, as responsible entity for the Trust,
in relation to potential property acquisitions that did not proceeded to completion.

Note 4 – Earnings per share
Weighted average number of shares used as the denominator

	Cents	Cents
Basic (loss) per share	(0.10)	(0.15)
Diluted (loss) per share	(0.10)	(0.15)

	No. of shares	No. of shares
Weighted average number of shares used as the denominator in calculating basic earnings per share	90,800,100	90,800,100
Weighted average number of shares and potential shares used as the denominator in calculating diluted earnings per share	90,800,100	90,800,100

Note 5 – Segment information

Business Segment
The Company operates solely in the property funds management industry.

Geographical Segment
The Company operates solely within Australia.

Note 6 – Events occurring after reporting date
The directors are not aware of any significant events since the reporting date.

Note 7 – Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

To comply with the AIFRS for the first time the Company will be required to restate its comparative financial statements to reflect the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Company has initiated a project to manage the transition to AIFRS, under the management of the Group Financial Controller. All of the AIFRS have been analysed and the required accounting policy changes have been identified.

In some cases, choices of accounting policies are available, including elective exemptions under Accounting Standard AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the Company.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected material financial effects of adopting AIFRS are shown for each line item in the statement of financial performance and the statement of financial position with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based upon management's best knowledge of expected standards and interpretations and current facts and circumstances, the adjustments may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore, until the company prepares its first full AIFRS financial statements the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Note 7 – Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the statement of financial performance

	Note	Existing AGAAP 2005 $	Effect of Change 2005 $	AIFRS 2005 $
Revenue and expenses from ordinary activities				
Management fees		2,185,120	–	2,185,120
Interest income		20,382	–	20,382
Total revenue from ordinary activities		**2,205,502**	**–**	**2,205,502**
Salaries, fees and related costs	(a)	971,204	7,993	979,197
Acquisition proposal due diligence		177,343	–	177,343
Legal fees		143,012	–	143,012
Auditor's remuneration for audit services – relating to current year		125,750	–	125,750
Auditor's remuneration for audit services – relating to prior year		60,000	–	60,000
Insurance for directors and officers		41,766	–	41,766
Insurance other		69,791	–	69,791
Annual reports		51,967	–	51,967
Registry fees		62,131	–	62,131
Information systems		35,721	–	35,721
Occupancy costs		91,622	–	91,622
Accounting fees		64,762	–	64,762
Tax reviews and advice		68,277	–	68,277
Corporate advisory services		91,783	–	91,783
Interest rate risk advice		48,820	–	48,820
ASX and ASIC fees		39,805	–	39,805
Travel and accommodation		27,068	–	27,068
Depreciation – plant & equipment		22,248	–	22,248
Marketing expenses		20,744	–	20,744
Communications expenses		11,726	–	11,726
Dues and subscriptions		10,243	–	10,243
Other expenses		102,123	–	102,123
Total expenses from ordinary activities		**2,337,906**	**7,993**	**2,345,899**
(Loss) from ordinary activities before income tax expenses		**(132,404)**	**(7,993)**	**(140,397)**
Income tax (benefit) / expense		(39,368)	–	(39,368)
Net (loss) after income tax attributable to shareholders of the Company		**(93,036)**	**(7,993)**	**(101,029)**
Total revenues, expenses and valuation adjustments attributable to share holders of the Company recognised directly in equity		–	–	–
Total changes in equity attributable to share holders of the Company other than those resulting from transactions with share holders as owners		**(93,036)**	**(7,993)**	**(101,029)**

Note 7 – Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the combined statement of financial position

	Note	Existing AGAAP 2005 $	Effect of Change 2005 $	AIFRS 2005 $
Current Assets				
Cash assets		156,682	–	156,682
Receivables		186,087	–	186,087
Prepayments and other assets		31,275	–	31,275
Total Current Assets		**374,044**	**–**	**374,044**
Non-Current Assets				
Deferred tax asset		97,936	–	97,936
Plant and equipment		140,635	–	140,635
Investment in related party		9,080,010	–	9,080,010
Total Non-Current Assets		**9,318,581**	**–**	**9,318,581**
Total Assets		**9,692,625**	**–**	**9,692,625**
Current Liabilities				
Payables		460,500	–	460,500
Provisions		33,279	–	33,279
Loan from related party		349,847	–	349,847
Total Current Liabilities		**843,626**	**–**	**843,626**
Total Liabilities		**843,626**	**–**	**843,626**
Net Assets		**8,848,999**	**–**	**8,848,999**
Equity				
Contributed equity		9,080,010	–	9,080,010
Share base payment reserve	(a)	–	13,117	13,117
Accumulated losses	(a)	(231,011)	(13,117)	(244,128)
Total Equity		**8,848,999**	**–**	**8,848,999**

Note 7 – Impacts of adopting Australian equivalents to IFRS (continued)

(a) Equity based compensation benefits

Under AASB 2 Share-based Payment, the Company is required to recognise an expense for those options issued to employees after 7 November 2002 that vest after 1 January 2005. The options are measured at their grant date based on their fair value and the aggregate amount is allocated evenly over the vesting period.

This will result in a change to the current accounting policy, under which no expense is recognised for options granted over un-issued securities to the managing director for nil monetary consideration.

The fair value of the options issued to Andrew Wilkinson on 10 November 2003 was $24,000 at grant date. The vesting period is three years ending 10 November 2006.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005 then,

– the salaries, fees and related costs would have been $7,993 higher, with a corresponding increase in the net movement in the share based payment reserve; and
– the accumulated losses would have been $13,117 higher with a corresponding increase in the share based payment reserve.

b) Financial instruments

The Company will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments : Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the Company to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 December 2005 and 30 June 2006 financial reports.

Changes applicable from 1 July 2005:

Loans and receivables and financial liabilities

Their classifications will remain unchanged. Consistent with AASB 139, measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

Note 8 – Full financial report

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you. Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Company for the year ended 30 June 2005 as set out on pages 66 to 74 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the combined entity as the full financial report, which as indicated in Note 8, is available on request.

The directors have been given the declarations by the Managing Director and Group Financial Controller and Assistant Company Secretary, as Chief Executive Officer and Chief Financial Officer equivalents, as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Independent audit report to the members of Australian Leisure and Entertainment Property Management Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the concise financial report of Australian Leisure and Entertainment Property Management Limited for the financial year ended 30 June 2005 included on ALE Property Group's web site. The directors of Australian Leisure and Entertainment Property Management Limited are responsible for the integrity of the ALE Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of Australian Leisure and Entertainment Property Management Limited (the Company) for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis and notes to the financial statements and the directors' declaration for the Company for the year ended 30 June 2005.

The directors of the Company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 16 August 2005 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Hadfield
Partner

Sydney
6 September 2005

Annual Concise Financial Report

FOR THE PERIOD 1 JULY 2004 TO 31 JUNE 2005

Australian Leisure and Entertainment Property Trust

ARSN 106 063 049

Contents

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") as Responsible Entity for Australian Leisure and Entertainment Property Trust (the "Trust") present their report for the Trust and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2005.

This report includes the consolidated results of the Trust and its wholly owned sub trust Australian Leisure and Entertainment Direct Property Trust (the "Sub Trust"), and the Sub Trust's wholly owned special financing vehicle ALE Finance Company Pty Limited (the "Finance Company").

The Company and the Trust together form the ALE Property Group (the "Group").

Directors

The following persons were directors of the Company during the whole of the year and up until the date of this report unless otherwise stated:

Name	Appointed
Non-executive directors	
P H Warne (Chairman)	8 September 2003
J P Henderson	19 August 2003
H I Wright	8 September 2003
Executive directors	
A F O Wilkinson (Managing Director)	16 November 2004
J T McNally	26 June 2003

Principal activities

During the year the principal activity of the Consolidated Entity consisted of investment in property. There has been no significant change in these activities during the year.

Distributions

Trust distributions paid or payable to unitholders during the financial year were as follows:

	2005 $'000	26 June 2003 to 30 June 2004 $'000
Interim Trust distribution for the year ended 30 June 2005 of 6.25 cents (2004: nil) per stapled security paid on 28 February 2005	5,675	–
Final Trust distribution for the year ended 30 June 2005 of 6.60 cents (2004: 7.50 cents) per stapled security to be paid 31 August 2005	5,993	6,810
	11,668	**6,810**

Review of Operations

A summary of the consolidated revenue and results of the Consolidated Entity is set out below:

	2005 $'000	19 August 2003 to 30 June 2004 $'000
Income		
Property rents and loan interest	45,996	29,479
Bank interest	1,155	712
	47,151	**30,191**
Expenses		
Borrowing costs	37,771	24,233
Land tax expense	1,139	545
Other expenses	2,828	1,365
	41,738	**26,143**
Income tax (benefit) / expense	(10)	8
Net Income	**5,423**	**4,040**
Net assets per ordinary unit	**$2.07**	**$1.28**

As a result of all of the property leases being "triple net" the Consolidated Entity has had minimal direct property outgoings other than land tax on the Queensland properties.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year, other than those changes otherwise identified in this financial report.

Matters subsequent to the end of the financial year

On 1 September 2005 the Consolidated Entity entered into two further forward dated interest rate swap transactions in respect of its $480m debt facilities. The swaps were $50m at 5.5375% pa fixed (excluding credit margin) from November 2008 to November 2012 and $50m at 5.5475% pa fixed (excluding credit margin) from November 2008 to November 2013. The directors are not aware of any other matter or circumstance occurring after balance date which may affect the Consolidated Entity's operations, the results of those operations or the state of affairs of the Consolidated Entity.

Likely developments and expected results of operations

The Consolidated Entity will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the Consolidated Entity and its value to its unitholders .

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe that it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

Whilst the Consolidated Entity is subject to significant environmental regulation in respect of its property activities, the directors of the Company are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. On three of the properties ongoing testing is being undertaken and if further work is required indemnities are held in excess of any expenditure amounts required.

Information on directors

Mr Peter H Warne B.A,
Chairman and Non–Executive Director.

Experience and expertise
Peter was appointed as Chairman and non-executive director of the Company in September 2003.

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited ("BTAL") in 1981. Peter held senior positions in the Fixed Income department, the Capital Markets division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business was acquired by Macquarie Bank Limited in 1999.

Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

Other current directorships of listed entities
Non-executive director of SFE Corporation Limited and Macquarie Capital Alliance Group.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Chairman of the board.
- Member of the audit, compliance and risk management committee (resigned as Chairman on 15 August 2005, continuing as member).
- Chairman of the remuneration committee.

Mr John Henderson (B.Bldg, MRICS, AAPI),
Non-Executive Director.

Experience and expertise
John was appointed as a non-executive director of the Company in August 2003.

John has been a Director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities.

John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Member of the audit, compliance and risk management committee.
- Member of the remuneration committee.

Ms Helen Wright LL.B, MAICD,
Non-Executive Director.

Experience and expertise
Helen was appointed as a non-executive director of the Company in September 2003.

Helen Wright was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority; was Deputy Chair of the Australia Day Council of NSW to December 2002; and serves on the Advisory Council to The Little Company of Mary (Calvary hospitals). Prior boards include Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

Helen has a Bachelor of Laws from University of NSW, and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
- Chair of the audit, compliance and risk management committee.
  (appointed Chair 15 August 2005).
- Member of the remuneration committee.

Mr Andrew F O Wilkinson (B. Bus. CFTP), **Managing Director.**

Experience and expertise
Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003.

Andrew has over 25 years experience in the banking and corporate finance.

He was previously a corporate finance partner with PricewaterhouseCoopers where he specialised in providing financial and strategic advice on significant property and infrastructure portfolios. Over his 8 year period with the firm he held a number of senior positions and was also one of the founding members of the NSW Government's Infrastructure Council.

Andrew's prior career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders where he was involved in leading the financing arrangements for a range of major projects.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr James McNally (B.Bus (Land Economy) Dip. Law), **Executive Director.**

Experience and expertise
James was appointed as an executive director of the Company in June 2003.

James has over ten years experience in the funds management industry having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

James provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including the Company.

James' qualifications include a Bachelor of Business in Land Economy (Hawkesbury Agricultural College) and a Diploma of Law (Legal Practitioners Admission Board). He is a registered valuer and licensed real estate agent.

Other current directorships of listed entities
None.

Former directorships of listed entities in the last three years
None.

Special responsibilities
– Member of the audit, compliance and risk management committee.
– Responsible Officer of the Company under the Company's Australian Financial Services License.

Mr Brendan R Howell BEcon, GDipAppFin (Sec Inst). **Company secretary**

Mr Howell was appointed to the position of company secretary in September 2003.

Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and 15 years' experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past six and half years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Directors' and specified executive interests in units and options

The following directors, specified executive and their associates held or currently hold unit interests in the Trust:

Name	Director/specified executive	Balance at the start of the year	Purchases / (sales)	Number of units held
P H Warne	Director	453,400	179,010	632,410
J P Henderson	Director	25,000	30,000	55,000
H I Wright	Director	100,000	–	100,000
A F O Wilkinson	Director	31,998	21,000	52,998
D S Barkas	Specified Executive	–	46,810	46,810

The following director held or currently holds options over units of the Trust:

Name	Director	Balance at the start of the period	Purchases / (sales)	Number of options held
A F O Wilkinson	Director	300,000	–	300,000

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2005 and the number of meetings attended by each director at the time the director held office during the year were:

	Board meetings		Audit, Compliance and Risk Management Committee meetings		Remuneration Committee meeting	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	13	13	6	6	1	1
J P Henderson	13	11	6	5	1	1
H I Wright	13	13	6	6	1	1
A F O Wilkinson	7	7	–	–	–	–
J T McNally	13	13	–	–	–	–

[1] "Held" reflects the number of meetings which the director was eligible to attend.

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Equity-based compensation

A Principles used to determine the nature and amount of remuneration

The objectives of the Company's executive reward framework is to ensure that reward for performance is transparent, reasonable, competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creating of value for share holders, and conforms with market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

– competitiveness and reasonableness
– acceptability to share holders
– performance linkage/alignment of executive compensation
– transparency
– capital management

Remuneration report (continued)

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to stapled security holders interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in stapled security holder wealth, consisting of distributions, dividends and growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in stapled security holders wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' rewards, depending upon the nature of the executive's new role.

The overall level of executive reward takes into account the performance of the Group over a number of periods with greater emphasis given to the current year. Over the past year, the Group's profit from ordinary activities after income tax has grown by $1.427m (or 36.6%) from $3.902m to $5.280m and stapled security holders' wealth (inclusive of distribution returns) has grown by 68.4%.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may also obtain the advice of independent remuneration consultants to ensure that non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of the non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive options over shares.

Directors' fees

The current base remuneration was last reviewed with effect from September 2003. The directors fees are all inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit which will be periodically recommended for approval by share holders. The maximum currently stands at $335,000 per annum, comprised of $260,000 per annum for non-executive directors and $75,000 per annum for the executive director (inclusive of a responsible officer fee of $5,000 per annum) and excluding the managing directors' remuneration. The maximum amount for non-executive directors can only be increased at a general meeting of the Company.

Retirement allowances for directors

No retirement allowances for directors are offered by the Company in line with recent guidance on non-executive directors' remuneration.

Remuneration report (continued)

Executive pay

The executive pay and reward framework has three components, the combination of which comprises the executive's total remuneration:

– base pay and benefits
– short-term performance incentives
– long-term incentives
– other remuneration such as superannuation

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash benefits at the discretion of the executives and the board.

Executives are offered a competitive base pay that comprises the fixed component of their remuneration. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for comparable roles. Base pay for senior executives is reviewed annually to ensure that the executives pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increase in any of the executives' contracts.

Short-term incentives (STI)

The short-term incentive arrangements in place at the Company have been designed to link annual STI bonus awards to executive performance against agreed key performance indicators (KPI's) including the financial performance of the Company during the year in question.

Each executive has a target STI opportunity depending on the accountabilities of the role and the impact on the performance of the Company.

Each year the remuneration committee considers the appropriate targets and KPI's to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payments of STI.

For the year end 30 June 2005, the KPI's link to STI plans were based on Company, individual, business and personal objectives. The KPI's required performance in managing operating and funding costs, compliance with legislative requirements, increasing security holder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

The board is responsible for assessing whether the KPI's have been met. To facilitate this assessment, the board receives detailed reports on performance from management.

The STI payments may be adjusted up or down in line with over or under achievement against the target performance levels. This is at the discretion of the board.

The STI target annual payment is reviewed annually.

Shares options granted

No options over unissued shares of the Company were granted during or since the end of the financial year .

B Details of remuneration

Amount of remuneration

Details of the remuneration of each director and the specific executive of the Company, paid or payable by the Company for the year ended 30 June 2005 are set out in the following tables. The cash bonuses are dependent on the satisfaction of performance conditions are set out in the section headed "Short-term incentives", above. All other elements of remuneration are not directly related to performance.

Remuneration report (continued)

Directors of the Company

Name	Cash Salary and Fees	Cash Bonus	Superannuation	Total
Non-executive directors				
P H Warne (Chairman)	110,092	–	9,908	120,000
J P Henderson	70,000	–	–	70,000
H I Wright	64,220	–	5,780	70,000
Executive directors				
A F O Wilkinson* (Managing Director)	191,954	65,000	15,081	272,035
J T McNally (Director)	81,250	–	–	81,250
Total	**517,516**	**65,000**	**30,769**	**613,285**

* Mr Wilkinson was appointed Managing Director on 16 November 2004. Before this appointment he was the Company's Chief Executive Officer. Amounts shown above include all of Mr Wilkinson's remuneration during the reporting period, whether as Managing Director or Chief Executive Officer. Amounts received in his position as Managing Director amounted to $191,784, made up of cash salary and fees of $117,895, cash bonus of $65,000 and superannuation of $8,889.

Specified executive of the Company

Name	Cash Salary	Cash Bonus	Non monetary benefits	Superannuation	Total
D S Barkas* (Group Financial Controller & Assistant Company Secretary)	127,282	20,000	6,800	10,462	164,544

* Mr Darren Barkas was appointed Group Financial Controller & Assistant Company Secretary on 16 March 2005. Before this he was the Company's Property Trust Manager. Amounts shown above include all of Mr Barkas' remuneration during the reporting period, whether as Company Financial Controller and Assistant Company Secretary or Property Trust Manager.

Amounts received in his position as Group Financial Controller and Assistant Company Secretary amounted to $55,377, made up of cash salary and fees of $25,578, non monetary benefit of $6,800, cash bonus of $20,000 and superannuation of $3,000.

Cash bonuses and options

For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the financial year and the percentage that was forfeited because a person did not meet the performance criteria is set out below.

Name	Paid $	Forfeited %
A F O Wilkinson	65,000	13.3
D S Barkas	20,000	0.0

C Service agreement

On 10 November 2003, the Company entered into a three year service agreement with Managing Director, Mr Wilkinson. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $225,000, to be reviewed annually by the board. A short-term incentive (which if earned, would be paid as a cash bonus each year) and a long-term incentive in the form of options over stapled securities, exercisable between November 2006 and November 2007 (except if the Company is subject to takeover, then to February 2007) are also provided.

Remuneration report (continued)

C Service agreement (continued)

In the event of the termination of Mr Wilkinson's employment contract, amounts are payable for unpaid accrued entitlements, proportion of bonus and option entitlements as at the date of termination. In the event of redundancy termination amounts are payable for base salary, inclusive of superannuation and bonus and option entitlements for the balance of the contract.

Mr Barkas' employment contract may be terminated at one months notice.

There are no other director or executive service agreements.

Letters of appointment have been entered into by each director (excluding the Managing Director) confirming their remuneration and obligations under the Corporations Law and Company constitution.

A letter of appointment has been entered into with MIA Services Pty Limited for the use of the services of Brendan Howell as Company Secretary and as a Responsible Officer of the Company on a continuous basis that may be terminated at any time.

D Equity-based compensation

Options over un-issued shares of ALE Property Company were granted during the last financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Mr Wilkinson has the right to subscribe for up to 300,000 stapled securities at a fixed price of $1.036 exercisable from 10 November 2006 or earlier, if Mr Wilkinson's employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable until 10 November 2007, unless the ALE Property Company is subject to a takeover, in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executive remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of $24,000 at grant date has been independently determined by using a Black-Scholes option pricing model. This technique takes into account factors such as the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date, expected price volatility of the underlying share and the expected dividend yield and the risk-free interest rate for the term of the option.

Units under option

Unissued units of the Trust under option at the date of this report are as follows:

Date option granted	Expiry date	Issue price of stapled securities	Number under option
10 November 2003	10 November 2007*	$1.036	300,000

* Unless ALE Property Group is subject to a takeover, in which case the period of exercise would be shortened to 11 February 2007.

Units issued on the exercise of options

No units of the Trust have been issued on the exercise of options, to date.

Insurance of officers

During the financial year, the Company paid a premium of $41,766 (2004: $40,746) to insure the directors and officers of the Company. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Under the constitution of the Company, current or former directors and secretaries are indemnified to the full extent permitted by law for liabilities incurred by that person in the discharge of their duties. The constitution provides that the Company will meet the legal costs of that person. This indemnity is subject to certain limitations.

Remuneration report (continued)

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below:

The board of directors has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromised the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 88.

	2005 $	2004 $
Audit and review of the financial reports of the Group and other audit work under the Corporations Act 2001*		
– in relation to current year	125,705	103,000
– in relation to prior year	60,000	–
Due diligence service	31,300	–
Controls assurance services	7,000	14,000
Tax compliance services	15,000	–
Tax consulting services	24,190	34,000
General accounting advice (including AIFRS)	29,944	8,750
	293,139	**159,750**

* Includes amounts allocated to the Trust of $74,282 (2004: $41,200).

Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, 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 in accordance with the Class Order to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Auditors' Independence Declaration

As lead auditor for the audit of Australian Leisure and Entertainment Property Trust for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Leisure and Entertainment Property Trust and the entities it controlled during the period.

S J Hadfield
Partner

Sydney

6 September 2005

The following commentary is to assist unitholders in reviewing and interpreting the results of the Trust and Consolidated Entity for the year ended 30 June 2005.

The discussion and analysis of the year ended 30 June 2005 results are based upon comparisons of the 30 June 2005 results to those of the period ended 30 June 2004. It is most important to note that the Group commenced operations during the comparative period of 26 June 2003 to 30 June 2004. During November 2003 the Group acquired its first investments properties, issued the bulk of its stapled securities and issued all of its existing debt, being $150m of ALE Notes and $330m of Commercial Mortgage Back Securities.

As a result of the comparative period being a commencement period some key differences have been annualised in order to improve comparability.

Consolidated statement of financial performance
Net profit after tax was for the year ended 30 June 2005 of $5,423,000 was $1,383,000 (or 34.2%) higher than the $4,040,000 net profit after tax of the comparative period.

– Total revenue from ordinary activities – was higher by $908,000 (or 2.0%) higher after annualisation. The key drivers of the 2.0 % increase were a portfolio rental review which resulted in a 2.1% increase in the property rental income and loan interest from November 2004 and stringent cashflow management and investment procedures which boosted bank interest earnings by an annualised 5.0%.

– Borrowing costs (including non cash amortisation) – were higher by $18,000 (or 0.00%) after annualisation. The Trust had a fully hedged weighted average interest rate established at IPO of 6.524% and as at 30 June 2005 of 6.527%.

– Land tax expense – was higher by $304,000 (or 36.5%) after annualisation. In all states other than Queensland ALH, as tenant, pays the land tax rather than the Trust. The key drivers of the increase were strong increases in Queensland land values and the fact that the comparative period amount of $545,000 only included one day of land tax on three Queensland properties acquired by the Trust on 30 June 2004.

– Property valuation expenses – were higher by $133,000 (or 120.9%). Annualisation is not appropriate as the valuations are only performed annually. The comparative period valuation covered one third of the portfolio whereas the current valuation covered the entire of the portfolio.

– Other costs of $2,585,000 versus a comparative total of $1,255,000 represent an increase of $663,000 (or 34.5%) after annualisation. The annualised increase of 34.5% is mainly due to increased management fees charged by the Company as a result of a progressive staffing of the Group during the comparative period, due diligence activities and increased operational activity during the current period.

Consolidated statement of financial position
Total assets were $690,677,000 as at 30 June 2005 compared to $625,171,000 as at 30 June 2004. The increase of $65,506,000 (or 10.5%) was driven by a revaluation increment to property investments of $74,800,000, a decrease in cash of $3,662,000, a decrease in amortisation of prepaid borrowing costs of $5,769,000 and a net increase in other assets of $59,000.

Total liabilities were $493,633,000 as at 30 June 2005 compared to $496,682,000 as at 30 June 2004. The decrease of $3,049,000 (or 0.6%) was driven by a reduction in payables of $2,697,000, a decrease in provisions of $817,000, and increase in ALE Notes premium of $479,000 and a decrease in other liabilities of $14,000.

Net assets were $197,044,000 as at 30 June 2005 compared to $128,489,000 as at 30 June 2004. The increase of $68,555,000 (or 53.3%) is as a result of the movements in total assets and total liabilities.

Equity was $197,044,000 as at 30 June 2005 compared to $128,489,000 as at 30 June 2004. The increase of $68,555,000 (or 53.3%) was driven by an increase in revaluation reserve of $74,800,000, an increase in accumulated losses of $18,000 and a decrease in contributed equity of $6,223,000. The Trust's distribution to unitholders of available operating cashflows (which exceeded accounting income due to non cash expenses) resulted in the decrease to contributed equity.

The net asset per stapled security as at 30 June 2005 were $2.07 compared to $1.32 as at 30 June 2004.

Consolidated statement of cash flows

Net cash inflow from operating activities includes the rent earned on the portfolio, the interest earned on cash balances held by the Trust and the payment of interest expenses on the Trust's borrowings.

There were no cash flows from investing activities during the year.

Net cash outflow from financing activities was an outflow of $12,485,000 which was the total of the June 2004 distribution of $6,810,000 and the December 2004 distribution of $5,675,000.

The net decrease in cash held during the year of $3,662,000 was due to a net decrease in payables of $2,697,000, a net decrease in provisions of $817,000 and other net decreases of $148,000.

consolidated statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $'000	19 August 2003 to 30 June 2004 $'000
Revenue and expenses from ordinary activities			
Property rental income and loan interest	2	45,996	29,479
Distribution income		–	–
Interest income	2 (a)	1,155	712
Total revenue from ordinary activities		**47,151**	**30,191**
Borrowing costs excluding amortisation	3	31,523	20,238
Borrowing costs (non-cash) amortisation	4	6,248	3,995
Management fees		2,185	997
Land tax expense		1,139	545
Property valuation expenses		243	110
Other expenses		400	258
Total expenses from ordinary activities		**41,738**	**26,143**
Profit from ordinary activities before income tax expenses		**5,413**	**4,048**
Income tax (benefit) / expense		(10)	8
Net profit after income tax expenses attributable to unitholders of the Trust		**5,423**	**4,040**
Net increase in asset revaluation reserve		74,800	40,459
Total revenues, expenses and valuation adjustments attributable to unitholders of the Trust recognised directly in unitholders' funds		**74,800**	**40,459**
Total changes in equity attributable to unitholders of the Trust other than those resulting from transactions with unitholders as owners		**80,223**	**44,499**
Distributions paid and payable	5	11,668	6,810

	Note	Cents	Cents
Basic and diluted earnings per ordinary unit	6	5.97	4.45
Distribution per ordinary unit held for the full financial year		12.85	7.50

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

consolidated statement of financial position

AS AT 30 JUNE 2005

	Note	2005 $'000	2004 $'000
Current Assets			
Cash assets	7	19,321	22,983
Receivables		199	174
Loan to related party		350	66
Prepayments and other assets	8	5,762	5,951
Loans	10	11,746	11,746
Total current assets		**37,378**	**40,920**
Non-Current Assets			
Property investments	9	625,000	550,200
Development property, loans deposits and costs	10	14,713	14,713
Prepayments and other assets	8	13,585	19,338
Deferred tax asset		1	–
Total non-current assets		**653,299**	**584,251**
Total assets		**690,677**	**625,171**
Current Liabilities			
Payables		6,554	9,251
Loan from related party		–	–
Provisions		5,993	6,810
Other		303	309
Total current liabilities		**12,850**	**16,370**
Non-current Liabilities			
Interest bearing liabilities – CMBS	11	330,000	330,000
Interest bearing liabilities – ALE Notes	11	150,000	150,000
ALE Notes premium		783	304
Deferred tax liability		–	8
Total non-current liabilities		**480,783**	**480,312**
Total liabilities		**493,633**	**496,682**
Net Assets		**197,044**	**128,489**
Unitholders' funds			
Contributed equity		81,787	88,010
Asset revaluation reserve	12	115,259	40,459
Accumulated losses / retained profits		(2)	20
Total Unitholders' funds		**197,044**	**128,489**
Net assets per ordinary unit		$2.07	$1.32
Net assets per no income voting unit (NIVUS)		$1.00	$1.00

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $'000	19 August 2003 to 30 June 2004 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		48,443	30,215
Expense recoveries from related parties		315	–
Payments to suppliers and employees (inclusive of goods and services tax)		(11,820)	(1,469)
Foster's Group Limited – recovery of payments to suppliers		–	447
Interest received		3,485	2,558
Borrowing costs		(31,600)	(14,568)
Net cash inflow / (outflow) from operating activities		**8,823**	**17,183**
Cash flows from investing activities			
Acquisition of property investments		–	(509,741)
Deposits paid on property investments		–	(2,600)
Pre-acquisition costs on property investments		–	(450)
Investment in related parties		–	–
Loan to Foster's Group Limited		–	(23,409)
Net cash (outflow) from investing activities		**–**	**(536,200)**
Cash flows from financing activities			
Proceeds from issue of units		–	62,000
Proceeds from interest bearing liabilities		–	480,000
Distributions paid		(12,485)	–
Net cash (outflow) / inflow from financing activities		**(12,485)**	**542,000**
Net (decrease) / increase in cash held		**(3,662)**	**22,983**
Cash at beginning of the financial period		22,983	–
Cash at the end of the financial period	7	**19,321**	**22,983**
Non-cash financing activities		–	28,800

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

Note 1 – Basis of preparation of concise financial report

The consolidated concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the consolidated concise financial report have been derived from the consolidated full financial report for the financial period. The consolidated concise financial report cannot be expected to provide as full an understanding of the consolidated financial performance, consolidated financial position and financing and investing activities of the Consolidated Entity as the full financial report.

	2005 $'000	19 August 2003 to 30 June 2004 $'000
Note 2 – Revenue		
Operating activities		
Rental income	43,766	27,468
Interest received on loans to Foster's Group Limited	2,230	2,011
	45,996	**29,479**
(a) Interest income from:		
Bank term deposit interest	1,155	712
	47,151	**30,191**
Note 3 – Borrowing costs excluding amortisation		
CMBS interest expense inclusive of all swaps	20,429	13,089
ALE Notes interest expense	10,898	7,077
Other borrowing costs	196	72
	31,523	**20,238**
Note 4 – Borrowing costs (non-cash) amortisation		
Prepaid borrowing costs	5,769	3,691
Amortisation of ALE Notes premium	479	304
	6,248	**3,995**

The prepaid borrowing costs had no cashflow impact on the Consolidated Entity as they were funded by the issue of Trust units (Note 8 (a) contains further information). The ALE Notes premium is accrued and will have no cashflow impact on the Consolidated Entity until payment on expiry of the ALE Notes.

	2005 $'000	19 August 2003 to 30 June 2004 $'000
Note 5 – Distributions		
Distributions recognised during the financial year:		
Interim Trust distribution for the financial year ended 30 Jun 05 of 6.25 cents per stapled security (2004: nil) paid 28 Feb 05	5,675	–
Final Trust distribution for the financial year ended 30 Jun 05 of 6.60 cents per stapled security (2004: 7.50 cents) to be paid 31 Aug 05	5,993	6,810
	11,668	**6,810**

Note 6 – Earnings per unit

	2005 Cents	2004 Cents
Weighted average number of units used as the denominator		
Basic earnings per unit	5.97	4.45
Diluted earnings per unit	5.97	4.45

	No. of Units	No. of Units
Weighted average number of ordinary units used as the denominator in calculating basic earnings per units	90,800,100	90,800,100
Weighted average number of ordinary units and potential ordinary units used as the denominator in calculating diluted earnings per unit	90,800,100	90,800,100

Note 7 – Cash Assets

Cash at bank	69	3,559
Deposits	13,752	13,924
Cash reserve *	5,500	5,500
	19,321	**22,983**

* In order to have the CMBS rated, the cash reserve, which is equal to approximately three months service of the CMBS has been set aside by the Consolidated Entities for the term of the CMBS and is therefore restricted.

As at 30 June 2005, the cash assets of the Consolidated Entity had a weighted average interest rate of 5.60% (2004: 5.40%).

Note 8 – Prepayments and other assets

Current			
Corporate advisory services	(a)	–	174
Prepaid other expenses		8	8
Capitalised borrowing costs	(b)	5,754	5,769
		5,762	**5,951**
Non-Current			
Capitalised borrowing costs	(b)	13,585	19,338
Total		**19,347**	**25,289**
(a) On 10 November 2003 $300,000 was paid to Macquarie Bank Limited for advisory services to 30 June 2005.			
(b) Reconciliation of capitalised borrowing costs:			
Lead manager's incentive fee paid		25,109	28,800
Amount expensed during the period		(5,769)	(3,691)
Closing balance		19,340	25,109

Under the lead manager's incentive offer as originally agreed between Foster's Group Limited and the lead manager, Macquarie Equity Capital Markets Limited, the lead manager was entitled to be issued with 48,000 stapled securities for each one tenth of a basis point by which the Group's weighted average interest rate on borrowings was less than 7.335% up to a maximum of 28.8 million stapled securities at 6.735%.

The 6.735% target was surpassed with the weighted average interest rate on borrowings for the Group being 6.524% fixed for five years to 10 November 2008.

The fee of $28.8 million was capitalised as a borrowing cost and will continue to be expensed over the remaining time of the five year period to which it relates.

Note 9 – Investment properties

Reconciliation

A reconciliation of the carrying amounts of investment properties at the beginning and end of the current financial year is set out below:

	2005 $'000	2004 $'000
Carrying amount at the beginning of the year	550,200	–
Additions	–	509,741
Revaluation increment	74,800	40,459
Carrying amount at the end of the year	**625,000**	**550,200**

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
New South Wales						
Blacktown Hotel, Blacktown	Nov 03	5,470	6,600	5,800	800	330
Brown Jug Hotel, Fairfield Heights	Nov 03	5,659	6,900	6,200	700	541
Colyton Hotel, Colyton	Nov 03	8,205	9,900	8,900	1,000	695
Crows Nest Hotel, Crows Nest	Nov 03	8,771	10,600	9,600	1,000	829
Kirribilli Hotel, Kirribilli	Nov 03	5,847	6,850	6,400	450	553
Melton Hotel, Auburn	Nov 03	3,112	3,700	3,400	300	288
New Brighton Hotel, Manly	Nov 03	8,865	10,500	9,700	800	835
Pioneer Hotel, Penrith	Nov 03	5,847	6,800	6,400	400	553
Pymble Hotel, Pymble	Nov 03	2,830	3,250	3,100	150	270
Smithfield Tavern, Smithfield	Nov 03	4,150	5,100	4,500	600	350
Total New South Wales Properties		**58,756**	**70,200**	**64,000**	**6,200**	**5,244**
Queensland						
Albany Creek Tavern, Albany Creek	Nov 03	8,394	9,600	9,000	600	606
Albion Hotel, Albion	Nov 03	4,433	5,200	4,800	400	367
Alderley Arms Hotel, Alderley	Nov 03	3,301	4,100	3,500	600	199
Anglers Arms Hotel, Southport	Nov 03	4,433	5,300	4,600	700	167
Balaclava Hotel, Cairns	Nov 03	3,301	3,800	3,500	300	199
Banyo Tavern, Nudgee	Nov 03	3,018	3,500	3,200	300	182
Breakfast Creek Hotel, Breakfast Creek	Nov 03	10,657	11,700	11,500	200	843
Camp Hill Hotel, Camp Hill	Nov 03	2,264	2,750	2,400	350	136
Chardons Corner Hotel, Annerly	Nov 03	1,415	1,500	1,500	–	85
Dalrymple Hotel, Townsville	Nov 03	3,207	3,700	3,500	200	293
Edinburgh Castle Hotel, Kedron	Nov 03	3,112	3,600	3,300	300	188
Ferny Grove Tavern, Ferny Grove	Nov 03	5,847	6,600	6,200	400	353
Four Mile Creek, Strathpine	Jun 04	3,672	4,600	4,300	300	628
Hamilton Hotel, Hamilton	Nov 03	6,602	7,400	7,100	300	498
Holland Park Hotel, Holland Park	Nov 03	3,773	4,600	3,900	700	127
Imperial Hotel, Beenleigh	Nov 03	2,452	2,900	2,700	200	248
Kedron Park Hotel, Kedron Park	Nov 03	2,264	2,700	2,400	300	136
Kirwan Tavern, Townsville	Nov 03	4,433	5,300	4,800	500	367
Lawnton Tavern, Lawnton	Nov 03	4,433	5,100	4,700	400	267

Note 9 – Investment properties (continued)

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/(Decrease) 2005 $'000	Asset Revaluation Reserve Increase/(Decrease) 2004 $'000
Queensland (continued)						
Miami Hotel, Miami	Nov 03	4,055	4,800	4,300	500	245
Mount Pleasant Tavern, Mackay	Nov 03	1,792	2,200	1,900	300	108
Mt Gravatt Hotel, Mount Gravatt	Nov 03	3,207	3,700	3,300	400	93
Newmarket Hotel, Cairns	Nov 03	2,358	3,000	2,500	500	142
Noosa Reef Hotel, Noosa Heads	Jun 04	6,874	8,300	7,400	900	526
Oxford 152, Bulimba	Nov 03	4,999	5,600	5,700	(100)	701
Palm Beach Hotel, Palm Beach	Nov 03	6,885	8,000	7,400	600	515
Pelican Waters, Caloundra	Jun 04	4,237	4,800	4,500	300	263
Petrie Hotel, Petrie	Nov 03	1,698	1,900	1,800	100	102
Prince of Wales Hotel, Nundah	Nov 03	3,395	3,900	3,700	200	305
Racehorse Hotel, Booval	Nov 03	1,792	1,900	2,100	(200)	308
Redland Bay Hotel, Redland Bay	Nov 03	5,187	5,900	5,500	400	313
Royal Exchange Hotel, Toowong	Nov 03	5,753	6,700	6,000	700	247
Springwood Hotel, Springwood	Nov 03	9,148	10,300	10,000	300	852
Stones Corner Hotel, Stones Corner	Nov 03	5,376	6,500	5,800	700	424
Sunnybank Hotel, Sunnybank	Nov 03	8,205	9,600	8,700	900	495
Vale Hotel Motel, Townsville	Nov 03	5,659	6,700	6,100	600	441
Wilsonton Hotel, Toowoomba	Nov 03	4,527	5,300	4,900	400	373
Woree Tavern, Cairns	Nov 03	1,037	1,100	1,100	–	63
Total Queensland Properties		**167,195**	**194,150**	**179,600**	**14,550**	**12,405**
South Australia						
Aberfoyle Hub, Aberfoyle Park	Nov 03	3,301	4,000	3,800	200	499
Enfield, Clearview	Nov 03	2,452	3,150	2,900	250	448
Eureka, Salisbury	Nov 03	3,301	4,100	3,900	200	599
Exeter, Exeter	Nov 03	1,886	2,350	2,200	150	314
Finsbury, Woodville North	Nov 03	1,603	1,950	1,800	150	197
Gepps Cross, Blair Athol	Nov 03	2,169	2,850	2,600	250	431
Hendon, Royal Park	Nov 03	1,603	2,100	1,800	300	197
Ramsgate, Henley Beach	Nov 03	3,773	4,850	4,400	450	627
Stockade Tavern, Salisbury	Nov 03	4,433	5,500	5,200	300	767
Total South Australian Properties		**24,521**	**30,850**	**28,600**	**2,250**	**4,079**
Victoria						
Ashley, Braybrook	Nov 03	3,961	5,000	4,300	700	339
Bayswater, Bayswater	Nov 03	9,903	12,600	10,600	2,000	697
Blackburn, Blackburn	Nov 03	9,431	11,700	10,100	1,600	669
Blue Bell, Wendouree	Nov 03	1,981	2,700	2,100	600	119
Burvale, Nunawading	Nov 03	9,714	12,400	10,300	2,100	586
Club Hotel, Ferntree Gully	Nov 03	5,093	6,500	5,500	1,000	407
Cramers, Preston	Nov 03	8,300	10,900	8,900	2,000	600
Daveys, Frankston	Nov 03	2,546	3,400	2,800	600	254
Deer Park, Deer Park	Nov 03	6,979	9,200	7,400	1,800	421
Doncaster Hotel/Motel, Doncaster	Nov 03	12,166	15,100	13,000	2,100	834

Note 9 – Investment properties (continued)

Property	Date Acquired	Cost Including Additions $'000	Independent Valuation and Carrying Amount 2005 $'000	Carrying Amount 2004 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2005 $'000	Asset Revaluation Reserve Increase/ (Decrease) 2004 $'000
Victoria (continued)						
Elsternwick, Elwood	Nov 03	3,301	4,200	3,500	700	199
Eltham, Eltham	Nov 03	4,716	6,300	5,000	1,300	284
Ferntree Gully Hotel, Ferntree Gully	Nov 03	4,716	6,900	5,100	1,800	384
Gateway, Corio	Nov 03	3,112	4,300	3,300	1,000	188
Keysborough, Keysborough	Nov 03	9,620	12,000	10,200	1,800	580
Mac's Melton, Melton	Nov 03	6,885	8,500	7,400	1,100	515
Meadow Inn, Fawkner	Nov 03	8,111	10,000	8,700	1,300	589
Mitcham, Mitcham	Nov 03	8,583	10,600	9,700	900	1,117
Morwell, Morwell	Nov 03	1,509	2,100	1,600	500	91
Mountain View, Glen Waverly	Nov 03	7,168	9,800	7,700	2,100	532
Olinda Creek, Lilydale	Nov 03	3,961	4,900	4,400	500	439
Pier, Frankston	Nov 03	8,017	9,500	8,600	900	583
Plough, Mill Park	Nov 03	8,488	10,500	9,000	1,500	512
Prince Mark, Doveton	Nov 03	9,809	12,600	10,500	2,100	691
Rifle Club, Williamstown	Nov 03	2,735	3,800	2,900	900	165
Rose Shamrock & Thistle, Reservoir	Nov 03	2,641	3,400	2,800	600	159
Royal Essendon, Essendon	Nov 03	4,338	5,500	4,600	900	262
Royal Exchange, Traralgon	Nov 03	2,169	2,900	2,300	600	131
Royal Sunbury, Sunbury	Nov 03	3,112	4,000	3,400	600	288
Sandbelt Club, Moorabbin	Nov 03	10,846	14,400	11,600	2,800	754
Sandown Park, Noble Park	Nov 03	6,319	7,800	6,900	900	581
Sandringham, Sandringham	Nov 03	4,527	6,200	4,800	1,400	273
Somerville, Somerville	Nov 03	2,641	3,800	2,800	1,000	159
Stamford, Rowville	Nov 03	12,732	15,900	13,700	2,200	968
Sylvania, Campbellfield	Nov 03	5,376	6,800	5,800	1,000	424
Tudor Inn, Cheltenham	Nov 03	5,470	7,000	5,800	1,200	330
Vale, Mulgrave	Nov 03	5,564	7,100	5,900	1,200	336
Victoria, Shepparton	Nov 03	2,264	3,200	2,400	800	136
Village Green, Mulgrave	Nov 03	12,544	15,100	13,500	1,600	956
Westmeadows, Westmeadows	Nov 03	2,735	3,700	3,000	700	265
Young & Jackson, Melbourne	Nov 03	6,131	7,100	6,500	600	369
Total Victorian Properties		**250,214**	**319,400**	**268,400**	**51,000**	**18,186**
Western Australia						
Queens Tavern, Highgate	Nov 03	4,810	5,635	5,100	535	290
Sail & Anchor Hotel, Freemantle	Nov 03	3,113	3,465	3,300	165	188
Wanneroo Villa Tavern, Wanneroo	Nov 03	1,132	1,300	1,200	100	67
Total Western Australian Properties		**9,055**	**10,400**	**9,600**	**800**	**545**
Total Investment Properties		**509,741**	**625,000**	**550,200**	**74,800**	**40,459**

Note 9 – Investment properties (continued)

Valuation of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged, on a stand alone property by property basis, 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.

Independent valuations

In accordance with the Consolidated Entity's policy of independently valuing at least one-third of its property portfolio annually, all of the Consolidated Entity's investment properties were independently valued as at 30 June 2005. The revaluations were completed by Peter Spiller (AAPI) of DTZ Australia (NSW) Pty Ltd.

Investment properties

All investment properties are freehold and 100% owned by the Consolidated Entity and are comprised of land, buildings and fixed improvements. The plant, equipment and liquor and gaming licenses are owned by the tenant.

Leasing arrangements

The investment properties are leased to a single tenant under long-term operating leases with rentals payable monthly in advance.

Conditional acquisition of development properties

During November 2003 the Consolidated Entity entered into conditional sale contracts with subsidiaries of Foster's Consolidated Entity Limited to acquire seven properties that were under development at the time. The conditional sale contracts are conditional upon satisfactory completion of the developments. At 30 June 2005, four of the properties are yet to be acquired. (Refer Note 10 for further information).

Note 10 – Development properties – loans, deposits and costs

As at 30 June 2005:

Property	Deposits at 10% of Purchase Price $'000	Loans to Foster's Group Limited $'000	Acquisition Costs $'000	Total Cost $'000
Current				
Caloundra Hotel, Caloundra, QLD	–	3,832	–	3,832
Narrabeen Sands Hotel, Narrabeen, NSW	–	7,914	–	7,914
	–	**11,746**	**–**	**11,746**
Non-Current				
Caloundra Hotel, Caloundra, QLD	426	–	74	500
Narrabeen Sands Hotel, Narrabeen, NSW	879	–	152	1,031
Burleigh Heads Hotel, Burleigh Heads, QLD	657	5,915	114	6,686
Parkway Hotel, Frenchs Forest, NSW	638	5,748	110	6,496
	2,600	**11,663**	**450**	**14,713**
Total	**2,600**	**23,409**	**450**	**26,459**

Note 10 – Development properties – loans, deposits and costs (continued)

As at 30 June 2004:

Property	Deposits at 10% of Purchase Price $'000	Loans to Foster's Group Limited $'000	Acquisition Costs $'000	Total Cost $'000
Current				
Caloundra Hotel, Caloundra, QLD	–	3,832	–	3,832
Narrabeen Sands Hotel, Narrabeen, NSW	–	7,914	–	7,914
	–	**11,746**	**–**	**11,746**
Non-Current				
Caloundra Hotel, Caloundra, QLD	426	–	74	500
Narrabeen Sands Hotel, Narrabeen, NSW	879	–	152	1,031
Burleigh Heads Hotel, Burleigh Heads, QLD	657	5,915	114	6,686
Parkway Hotel, Frenchs Forest, NSW	638	5,748	110	6,496
	2,600	**11,663**	**450**	**14,713**
Total	**2,600**	**23,409**	**450**	**26,459**

Note 11 – Interest bearing liabilities

	2005 $'000	2004 $'000
Commercial mortgage backed securities (CMBS)	330,000	330,000
ALE Notes on issue	150,000	150,000
	480,000	**480,000**

The CMBS borrowings are secured by, among other things, first ranking real property mortgages over of the investment properties and have scheduled maturity dates of 10 November 2008 and final maturity dates of 10 November 2010. A fixed interest rate of 6.66% applies to $100 million of the CMBS borrowings.

The ALE Notes are unsecured with a maturity date of 30 September 2011 and a fixed interest rate of 7.265%.

The Consolidated Entity's variable interest rate exposure is fully hedged (100% fixed) up until 10 November 2008 on current borrowings. This has been achieved by the use of variable rate borrowings swapped to fixed rates by using interest rate swaps.

The Consolidated Entities weighted average interest rate as at year end was:

	2005 %	2004 %
CMBS – $230 million variable rate	6.400	6.210
CMBS – $100 million fixed rate	6.660	6.660
CMBS – $330 million weighted average of variable and fixed	**6.479**	**6.346**
ALE Notes – $150 million fixed	7.265	7.265
Total weighted average interest rate of CMBS and ALE Notes	**6.724**	**6.633**
Net impact of swaps – net $230 million (refer Note 22(d))	(0.824)	(0.227)
Total Group weighted average interest rate	**6.527**	**6.524**

Note 12 – Asset Revaluation Reserve

	Note	2005 $'000	2004 $'000
(i) Nature and purpose of reserve			
The assets revaluation reserve is used to record increments and decrements in the fair vale value of investment properties.			
(ii) Movements in reserve			
Balance at the beginning of the financial year		40,459	–
Movements in valuations of investment properties	9	74,800	40,459
Balance at the end of the financial year		**115,259**	**40,459**

Note 13 – Segment information

Business segment
The Consolidated Entity operates solely in the property investment and property funds management industry.

Geographical segment
The Consolidated Entity owns property solely within Australia.

Note 14 – Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

Note 15 – Impact of adopting Australian equivalents to International Financial Reporting Standards ("IFRS")

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

To comply with the AIFRS for the first time the Trust will be required to restate its comparative financial statements to reflect the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Group has initiated a project to manage the transition to AIFRS, under the management of the Group Financial Controller. All of the AIFRS have been analysed and the required accounting policy changes have been identified. In some cases, choices of accounting policies are available, including elective exemptions under Accounting Standard AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected material financial effects of adopting AIFRS are shown for each line item in the statement of financial performance and the statement of financial position with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based upon management's best knowledge of expected standards and interpretations and current facts and circumstances, the adjustments may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore, until the Group prepares its first full AIFRS financial statements the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Note 15 – Impact of adopting Australian equivalents to International Financial Reporting Standards ("IFRS") (continued)

As a result of the Trust taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments : Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005, it is managements view that AIFRS would have no impact on the statements of financial performance or statement of financial position of the parent entity as at 30 June 2005.

The following impacts relate to the consolidated entity only.

Impact on the consolidated statement of financial performance

	Note	Existing AGAAP 2005 $'000	Effect of Change 2005 $'000	AIFRS 2005 $'000
Revenue and expenses from ordinary activities				
Property rental income & loan interest		43,766	–	43,766
Revaluation of investment properties	(a)	–	74,800	74,800
Interest income		3,385	–	3,385
Total revenue from ordinary activities		**47,151**	**74,800**	**121,951**
Borrowing costs excluding amortisation		31,523	–	31,523
Borrowing costs (non-cash) amortisation		6,248	–	6,248
Management fess		2,185	–	2,185
Land tax expense		1,139	–	1,139
Property valuation expenses		243	–	243
Other expenses		400	–	400
Total expenses from ordinary activities		**41,738**	**–**	**41,738**
Profit from ordinary activities before income tax expenses		**5,413**	**74,800**	**80,213**
Income tax (benefit)		(10)	–	(10)
Net profit after income tax attributable to Stapled security holders of the Group		**5,423**	**74,800**	**80,223**
Net increment in asset valuations	(a)	74,800	(74,800)	–
Total revenues, expenses and valuation adjustments attributable to stapled security holders of the Group recognised directly in equity		**74,800**	**(74,800)**	**74,800**
Total changes in equity attributable to stapled security holders of the Group other than those resulting from transactions with stapled security holders as owners		**80,223**	**–**	**80,223**
Distributions paid and payable		11,688	–	11,688
		Cents	Cents	Cents
Basic and diluted earnings per ordinary unit		5.97	–	88.35
Distributions per stapled security held for the full financial year		12.85	–	12.85

Note 15 – Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the consolidated statement of financial position

	Note	Existing AGAAP 2005 $'000	Effect of Change 2005 $'000	AIFRS 2005 $'000
Current Assets				
Cash assets		19,321	–	19,321
Receivables		199	–	199
Loan to related party		350	–	350
Prepayments and other assets		5,762	–	5,762
Loans		11,746	–	11,746
Total Current Assets		**37,378**	**–**	**37,378**
Non-Current Assets				
Property investments		625,000	–	625,000
Development property – loans, deposits and costs		14,713	–	14,713
Prepayments		13,585	–	13,585
Deferred tax asset		1	–	1
Total Non-Current Assets		**653,299**	**–**	**653,299**
Total Assets		**690,677**	**–**	**690,677**
Current Liabilities				
Payables		6,554	–	6,554
Provisions		5,993	–	5,993
Other		303	–	303
Total Current Liabilities		**12,850**	**–**	**12,850**
Non-Current Liabilities				
Interest bearing liabilities – CMBS		330,000	–	330,000
Interest bearing liabilities – ALE Notes		150,000	–	150,000
ALE Notes premium		783	–	783
Deferred tax liability		–	–	–
Total Non-Current Liabilities		**480,783**	**–**	**480,783**
Total Liabilities		**493,633**	**–**	**493,633**
Net Assets		**197,044**	**–**	**197,044**
Equity				
Contributed equity		81,787	–	81,787
Asset revaluation reserve	(a)	115,259	(115,259)	–
Accumulated (losses) / retained profits	(a)	(2)	115,259	115,247
Total Equity		**197,044**	**–**	**197,044**

	$	$	$
Net assets per ordinary unit	**2.07**	**–**	**2.07**
Net assets per no income voting unit (NIVUS)	**1.00**	**–**	**1.00**

(a) Investment properties

Under the new AASB140 Investment Property, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in the net profit or loss for the period in which they arise.

Note 15 – Impacts of adopting Australian equivalents to IFRS (continued)

(a) Investment properties (continued)
This will result in a change to the current accounting policy which requires that fair value increments be recognised in the asset revaluation reserve in the statement of financial position, except to the extent that they reverse a decrement previously recognised as an expense in the profit and loss account, and fair value decrements be recognised in the profit and loss account, except to the extent that they reverse an increment previously recognised in the asset revaluation reserve.

If the policy required by AASB 140 had been applied during the year ended 30 June 2005 retained earnings at 30 June 2005 would have been $115,259,000 higher, revaluation of investment properties for the year ended 30 June 2005 would have been $74,800,000 higher and the asset revaluations reserve at 30 June 2005 would have been $115,529,000 lower.

(b) Financial instruments
The Trust will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments : Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the Trust to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 December 2005 and 30 June 2006 financial reports.

Changes applicable from 1 July 2005:

Fair value of interest rate swaps
In accordance with AASB 139, interest rate swaps as derivatives are initially recognised at fair value on the date the swap agreements are entered into and are subsequently remeasured to their fair value. Changes in fair value are either taken to the statement of financial performance or an equity reserve, depending on whether the criteria for hedging accounting are satisfied at the transition date (1 July 2005). The Consolidated Entity does not intend on achieving hedge accounting, changes in the fair value of the swaps will be recognised in the statement of financial performance.

Capitalised borrowing establishment costs (lead manager's incentive fee)
Under AASB 139, capitalised borrowing establishment costs will be reclassified to interest bearing liabilities thereby reducing the value of the related liability. Amortisation of the capitalised borrowing costs, which will accrete the interest bearing liabilities to the principal payable at maturity, will change from a straight-line basis to an effective yield basis. This will result in lower amortisation charges through the statement of performance at the start of the debt facility term and higher amortisation charges at the end the debt facility term.

Loans and receivables and financial liabilities
Their classifications will remain unchanged. Consistent with AASB 139, measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

Consequently, the amortisation of the redemption premium on the ALE Notes will change from a straight line basis to an effective yield basis to accrete the ALE Notes to the principal payable at maturity.

Disclosure and presentation of equity
Currently "Units on Issue" are treated as equity. According to AASB 132, "Units on Issue" are treated as a financial liability if the constitution requires the scheme to buy back units at the option of the unit holder. This occurs at the termination date of the Trust and Sub-Trust and is set at the 80th anniversary of the commencement date less 1 day.

In order to resolve this, the wording in the trust constitutions was changed on 28 June 2005 to ensure the "Units on Issue" satisfy the criteria for them to continue to be classified as equity. Management is of the view that going forward the debt and equity classification applicable to the "Units on Issue" and the Group's stapled securities will remain unchanged under AIFRS.

Note 16 – Full financial report

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you. Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Trust for the year ended 30 June 2005 as set out on pages 89 to 104 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the combined entity as the full financial report, which as indicated in Note 16, is available on request.

The directors have been given the declarations by the Managing Director and Group Financial Controller and Assistant Company Secretary, as Chief Executive Officer and Chief Financial Officer equivalents, as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

P Warne
Director

Sydney

Dated this 6th day of September 2005

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Independent audit report to the unitholders of Australian Leisure and Entertainment Property Trust

Matters relating to the electronic presentation of the audited financial report
This audit report relates to the concise financial report of Australian Leisure and Entertainment Property Trust for the financial year ended 30 June 2005 included on ALE Property Group's web site. The directors of Australian Leisure and Entertainment Property Management Limited are responsible for the integrity of the ALE Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion
In our opinion, the concise financial report of Australian Leisure and Entertainment Property Trust (the Trust) for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

Scope
The financial report and directors' responsibility
The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis and notes to the financial statements and the directors' declaration for Australian Leisure and Entertainment Property Trust (the Trust) for the year ended 30 June 2005.

The directors of Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach
We conducted an independent audit of the concise financial report in order to express an opinion to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We also performed an independent audit of the full financial report of the Trust for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 16 August 2005 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Hadfield
Partner

Sydney
6 September 2005

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15 August, 2005

The Directors
Australian Leisure and Entertainment Property
Management Limited
Level 8
15-19 Bent Street
Sydney NSW 2000

Subject: Management Statement Letter to Directors on ALE Property Group's – Financial Reports for the year ended 30 June 2005.

Dear Directors,

We confirm to the best of our knowledge and belief that the Financial Reports for the year ended 30 June 2005 of:

- ALE Property Group
- Australian Leisure and Entertainment Property Management Limited
- Australian Leisure and Entertainment Property Trust and its controlled entities
- ALE Finance Company Pty Limited

present a true and fair view, in all material respects, of the financial condition and operational results of their respective entities and are in accordance with relevant accounting standards and requirements of the *Corporations Act 2001*.

The above statement is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board.

We confirm that all risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Yours sincerely

Andrew Wilkinson
Managing Director

Darren Barkas
Group Financial Controller
& Assistant Company Secretary

Brendan Howell
Company Secretary

stapled security holder information

Voting rights

The voting rights are one vote per stapled security.

Distribution of stapled security holders as at 23 August 2005

Number of Stapled Securities	Number of Stapled Security Holders	Stapled Securities Held	% of Stapled Securities
1 – 1,000	74	55,523	0.06%
1,001 – 5,000	758	2,522,610	2.78%
5,001 – 10,000	564	4,925,103	5.42%
10,001 – 100,000	1,134	33,548,559	36.95%
100,001 – over	59	49,748,305	54.79%
Total	2,589	90,800,100	100.00%

There were five stapled security holders holding parcels of stapled securities with a value of less than $500.

Top 20 largest stapled security holders as at 23 August 2005

Rank	Stapled Security Holder	Number of Stapled Security Holders	% of Stapled Securities
1	National Nominees Limited	10,884,704	11.99%
2	J P Morgan Nominees Australia Limited	7,412,593	8.16%
3	ANZ Nominees Limited	5,034,692	5.54%
4	Fortis Clearing Nominees P/L	4,417,420	4.86%
5	Westpac Custodian Nominees Limited	3,236,434	3.56%
6	Mr Kenneth Charles Ferris + Mrs Dorothy May Ferris	2,015,367	2.22%
7	Lady Jean Falconer Griffin	1,859,120	2.05%
8	RBC Global Services Australia Nominees Pty Limited	1,750,967	1.93%
9	RBC Global Services Australia Nominees Pty Limited	1,146,124	1.26%
10	Cogent Nominees Pty Limited	789,786	0.87%
11	Citicorp Nominees Pty Limited	688,430	0.76%
12	Pineross Pty Ltd	650,000	0.72%
13	Argo Investments Limited	610,000	0.67%
14	Bond Street Custodians Limited	500,000	0.55%
15	Caergwrle Investments Pty Ltd	500,000	0.55%
16	Mrs Shemara Wikramanayake	460,500	0.51%
17	Bond Street Custodians Limited	385,000	0.42%
18	Mr Michael John Steven Arthur	341,064	0.38%
19	Bow Lane Nominees Pty Ltd	264,503	0.29%
20	Australian Executor Trustees Limited	253,255	0.28%
Total		43,199,959	47.57%

Substantial stapled security holders (notices received as at 23 August 2005)

Stapled Security Holder	Number of Stapled Securities
UBS Nominees Pty Limited	9,595,726
Deutsche Bank Group	6,418,559
Total	16,014,285

investor information

Stock Exchange Listing
The ALE Property Group (ALE) is listed on the Australian Stock Exchange (ASX). Its stapled securities are listed under ASX code: LEP and its ALE Notes are listed under ASX code: LEPHB.

Distribution Reinvestment Plan
ALE has not established a distribution reinvestment plan.

Electronic Payment of Distributions
Security holders may nominate a bank, building society or credit union account for payment of distributions by direct credit. Payments are electronically credited on the payment dates and confirmed by mailed payment advice.

Security holders wishing to take advantage of payment by direct credit should contact the registry for more details and to obtain an application form.

Publications
The Annual Report is the main source of information for stapled security holders. In addition, a half-year report for the six months to December is released to the ASX and posted on the ALE website in February each year. The half year report is also mailed on request.

Periodically ALE may also send releases to the ASX covering matters of relevance to investors. These releases are also posted to the ALE website.

Website
The ALE website, www.alegroup.com.au, is a useful source of information for security holders. It includes details of ALE's property portfolio, current activities and future prospects.

Annual Tax Statement
Accompanying the final stapled security distribution payment, normally in August each year, will be an annual tax statement which details the tax deferred components of the year's distribution.

Distributions
Stapled security distributions are paid twice yearly, normally in February and August.

Annual General Meeting
The Annual General Meeting of the Company and a meeting of the Trust will be held at the Barnet Room, Level 6, The Westin, Sydney on 21st October 2005 at 10am.

A copy of the Notice of Meetings will be mailed to stapled security holders and made available to download from ALE's website in September 2005.

Security Holder Enquiries
Please contact the registry if you have any questions about your holding or payments.

corporate directory

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Telephone (02) 8231 8588

Company Secretary
Mr Brendan Howell
Level 8, 15-19 Bent Street
Sydney NSW 2000
Telephone (02) 8231 8588

Auditors
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Lawyers
Allens Arthur Robinson
2 Chifley Square
Sydney NSW 2000

Custodian (of Australian Leisure and Entertainment Property Trust)
Trust Company of Australia Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

Trustee (of ALE Direct Property Trust)
Permanent Trustee Company Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

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