ALE PROPERTY GROUP

ASX ANNOUNCEMENT

27 September 2006

Announcement No. 14/06
The Manager
Company Announcements
Australian Stock Exchange

ALE PROPERTY GROUP (ALE)
ANNUAL REPORT 2006

Please find attached a copy of the ALE Annual Report that will be mailed to ALE's stapled security holders on Friday 29 September 2006.

For further information, please contact ALE's Managing Director, Andrew Wilkinson on (02) 8231 8588.

- Ends –

Contact:
Brendan Howell
Company Secretary
ALE Property Group
Ph. 02 8231 8588
Website: www.alegroup.com.au

ALE PROPERTY GROUP
ANNUAL REPORT JUNE 2006

raising the bar

ALE PROPERTY GROUP

ALE PROPERTY GROUP OWNS A PORTFOLIO OF 106 PUBS LOCATED THROUGHOUT THE FIVE MAINLAND STATES OF AUSTRALIA.

$300 million+

In under three years ALE's initial investor equity of around $91 million has grown to more than $300 million in market capitalisation and distributions paid – growth that has delivered well above other listed property trusts

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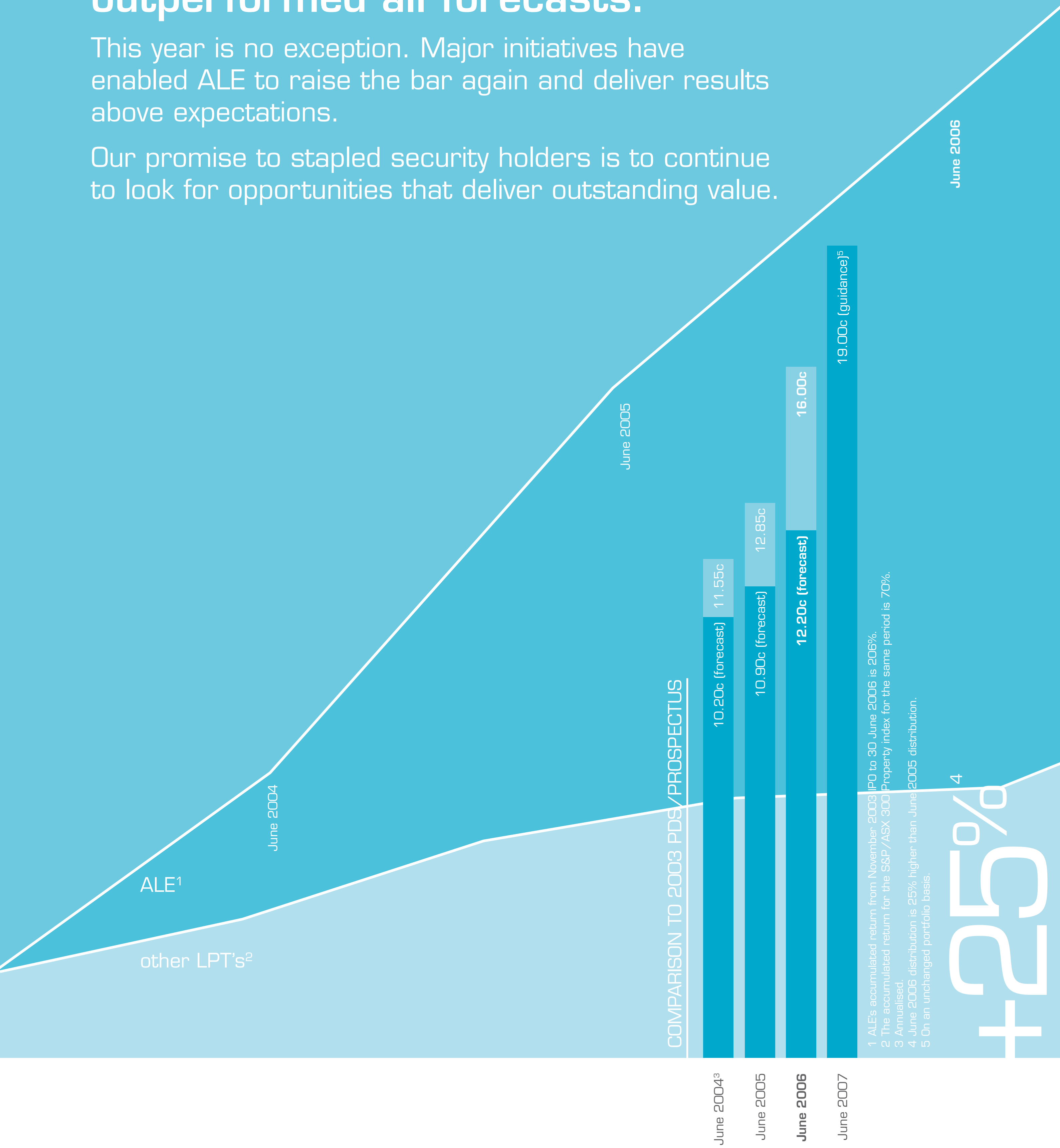
ALE sets high standards. In the past three years we have consistently outperformed all forecasts.

This year is no exception. Major initiatives have enabled ALE to raise the bar again and deliver results above expectations.

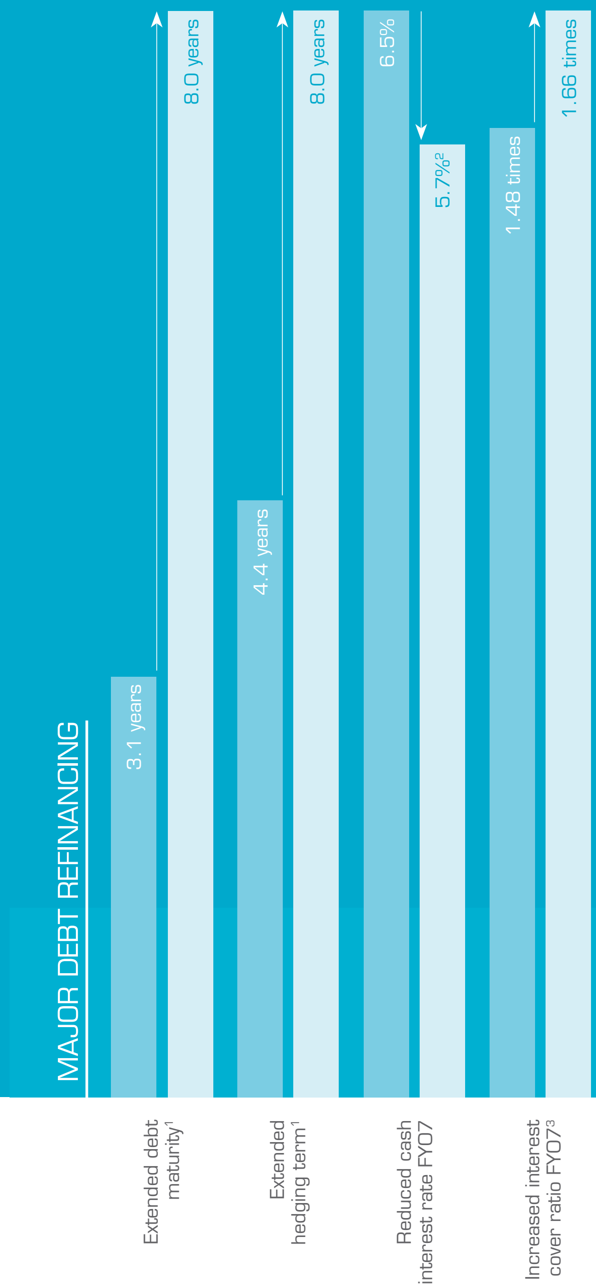
Our promise to stapled security holders is to continue to look for opportunities that deliver outstanding value.



1 ALE's accumulated return from November 2003 IPO to 30 June 2006 is 206%.
2 The accumulated return for the S&P/ASX 300 Property index for the same period is 70%.
3 Annualised.
4 June 2006 distribution is 25% higher than June 2005 distribution.
5 On an unchanged portfolio basis.

major debt refinancing

provides longer term and more cost effective financing structure



1 Weighted average.
2 Estimate – will vary with CPI.
3 Ratio of net operating cash flow to net cash interest obligations.

During the year ALE completed a major refinancing.

Our new capital structure:

- partly matches ALE's indexed lease assets with a CIB[1]
- extends ALE's debt maturities
- extends ALE's term of fixed interest rates
- reduces and defers ALE's refinancing risk
- reduces ALE's credit margins
- increases ALE's FY06 distributions and expected FY07 distribution
- increases certainty of distribution growth for an extended period
- provides undrawn CMBS[2] facilities to enhance future acquisition capacity.

1 capital (inflation) indexed bond.
2 commercial mortgage backed securities.

8 year average

lengthening ALE's debt maturity and interest rate hedging to an average eight years

THE REFINANCING ALSO WON AN INDUSTRY AWARD FOR INNOVATION, BEING:

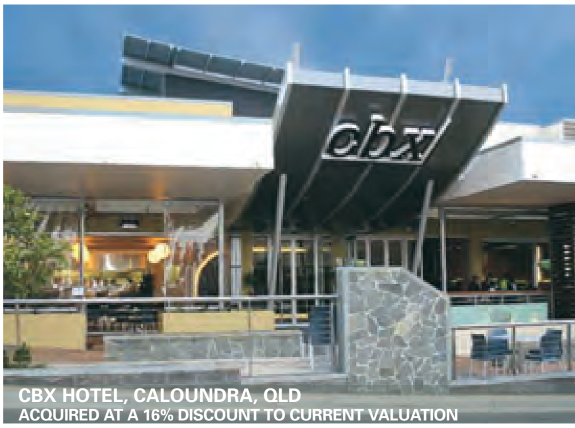
/ THE FIRST CAPITAL (INFLATION) INDEXED BOND (CIB) ISSUED BY AN AUSTRALIAN LPT
/ THE FIRST CIB TO BE INCLUDED IN A CMBS TRANSACTION
/ THE FIRST SUPER-SENIOR SECURITY STRUCTURE FOR BOTH AUSTRALIAN CMBS AND CIB TRANSACTIONS
/ THE FIRST SPLIT MATURITY AUSTRALIAN CMBS TO ISSUE TRANCHES FROM FIVE YEARS THROUGH TO 17.5 YEARS
/ THE LONGEST TENOR OF CIB ISSUED BY ANY LPT AT 17.5 YEARS

growing the portfolio value

$66 million

$66 million increase in the value of the portfolio including revaluations and two new acquisitions

BERWICK INN HOTEL, MELBOURNE, VIC
ACQUIRED AT A 6% DISCOUNT TO CURRENT VALUATION

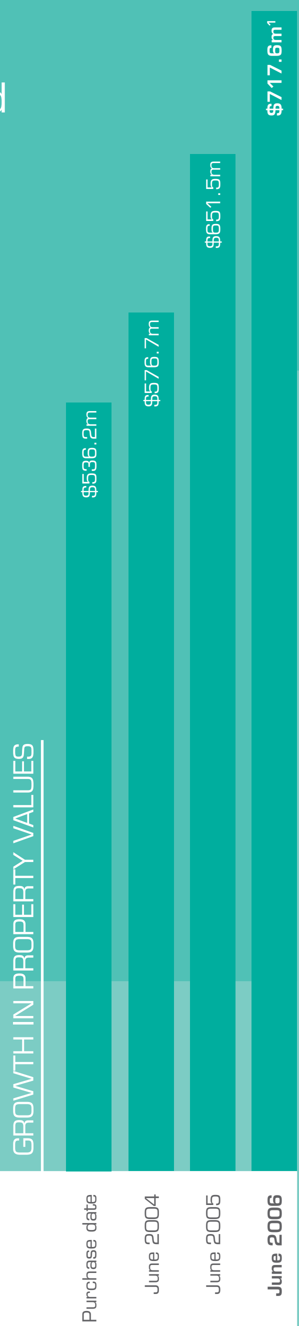


CBX HOTEL, CALOUNDRA, QLD
ACQUIRED AT A 16% DISCOUNT TO CURRENT VALUATION

ALE continued to build its portfolio with the purchase of the historic Berwick Inn Hotel, Melbourne. Established in 1857, the Berwick Inn Hotel is leased to Australian Leisure and Hospitality (ALH) on terms similar to those on ALE's other 105 pubs.

Other highlights of ALE's portfolio include:

- an increase in value to $717.6 million for the year
- acquisition of the completed CBX Hotel, Caloundra
- the continued expansion of operations by major tenant ALH, thereby creating greater security for ALE
- remaining lease terms of more than 22 years
- increasing returns underpinned by rents indexed to inflation.



+10%

1 Adopted valuation of $717.6 million does not include any premium for valuation on a portfolio basis.

outlook: secure and growing

and is based on our
"building blocks of certainty"

distribution growth
(multiple of CPI)

68% gearing
(hedged for an average eight years)

A- tenant
(ALH 75% owned by Woolworths)

25 year lease term (22 years remaining + 4x10 year options)

106 pubs/$717.6 million
(trading for an average 56 years)

We continue to examine a number of potential new acquisitions, both in the pub sector and in other sectors of the commercial real estate market, consistent with our ongoing objective of acquiring quality property with secure and long term rental income.

THE ABOVE PICTURES DO NOT REPRESENT CURRENT ASSETS OF ALE

Distributable profit for the year rose $2.9 million to $14.6 million, representing a 25% increase over the previous period. Distributions per security totalled 16.0 cents for the year ending 30 June 2006. ALE expects to pay distributions of at least 19.0 cents per stapled security for the year ending 30 June 2007 on an unchanged portfolio basis.

Dear investor,

On behalf of your Board, it is my pleasure to report to you on the performance for the year ending 30 June 2006.

Following on from last year's strong result, ALE has again achieved significant growth in capital value and distributable profit. Distributable profit for the year rose $2.9 million to $14.6 million, representing a 25% increase over the previous period. The net profit of $52.2 million for the first time included property revaluations (as required under the new AIFRS accounting standards).

For the year ended 30 June 2006, ALE has paid distributions totalling 16 cents per stapled security. This is 25% higher than last year and 16% higher than guidance provided by the Board in December 2005. ALE expects to pay distributions of at least 19 cents per stapled security for the year ending 30 June 2007 on an unchanged portfolio basis.

For the third successive year, ALE is able to report that the value of the portfolio has increased – this year by $66.1 million, or 10.2%.

The valuation increase was driven by an uplift in the property market and an improved market understanding of the nature of ALE's portfolio and lease structure. ALE stands alone as a property trust with a very long lease expiry and a very high quality rental income stream.

ALE invested significant Board and management time and security holder money investigating acquisition opportunities that matched ALE's investment strategy.

In February 2006, ALE purchased the historic Berwick Inn Hotel, Victoria in its first acquisition since listing but, in applying its patient and disciplined approach, ALE did not proceed with a number of other opportunities. ALE believes that the current market's strength has encouraged others to take pricing and risk positions which your Board was not prepared to entertain.

Capital management has been high on the agenda this year. On 1 September 2005, at the absolute low point of the interest rate cycle, ALE extended its interest rate hedging to provide further assurance of future distributions to investors. In May 2006, ALE completed an award-winning refinancing of its senior debt facilities. "INSTO" magazine recognised ALE for its innovative debt structure, which included the first use of an AAA rated Capital Indexed Bond by an Australian listed property trust.

The key benefits of the debt refinancing are:

- a reduction in ALE's cash interest payments;
- a lengthening of ALE's average debt maturities and interest rate hedging terms; and
- the incorporation of a partial inflation-linked interest component, which matches ALE's inflation-linked rental income.

When combined with ALE's growth in property income, the results of the debt refinancing are:

- an increase in the distribution paid for June 2006;
- a further increase in the expected distribution for June 2007; and
- a lower expected volatility of long-term distributions.

I express my gratitude to Managing Director Andrew Wilkinson and his management team for their continued excellent performance this year. In particular, the team's innovation in capital management during the year will provide substantial long-term benefits to stapled security holders.

The Board continues to review its corporate governance functions in light of market best practice. ALE strengthened its compliance and risk management function by appointing David Lawler in December 2005 as an independent member of its Audit, Compliance and Risk Management Committee. Details of David's experience are provided on page 29.

This year's annual general meeting will be held at the Radisson Hotel, Sydney at 10 am on 9 November 2006. An agenda will be sent out to stapled security holders in advance of the meeting.

Once again, thank you for your continued support of ALE.

Peter Warne
Chairman

$14.6 million↑

distributable profit increased to $14.6 million for FY06

	FY04[1]	FY05	**FY06**	Change
Distributable Profit[2]	$8.0m	$11.7m	**$14.6m**	$2.9m ↑
Distribution per Stapled Security	7.50¢	12.85¢	**16.0¢**	3.15¢ ↑
Portfolio Value	$576.7m	$651.5m	**$717.6m**	$66.1m ↑
Gearing[3]	80%	72%	**68%**	4% ↓
Tax Deferred Distribution	100%	100%	**100%**	
Management Expense Ratio	0.40%	0.24%	**0.24%**	
Stapled Security Price[4]	$1.31	$2.06	**$2.70**	$0.64 ↑
Net Assets per Stapled Security	$1.41	$2.17	**$2.64**	$0.57 ↑

1 FY04 effectively commenced November 2003.
2 Distributable Profit includes add backs for non-cash accounting items.
3 Total Liabilities as a % of Total Assets.
4 At 30 June.

Distributable Profit Compared to FY05	$m
Distributable Profit FY2005	**11.7**
Increased Property Income	1.8 ↑
Increased Interest Income	0.0 ↑
Reduced Management Costs	0.6 ↑
Increased Land Tax	(0.0)↓
Acquisition Costs[1]	(1.6)↓
Refinancing Benefits	2.1 ↑
Distributable Profit FY2006	**14.6**

1 Net of recoveries.

MAJOR ANNOUNCEMENTS

29 AUGUST 2006
• JUNE FULL-YEAR RESULTS
• JUNE FULL-YEAR REPORT

12 JULY 2006
• ALE WINS INSTO AWARD FOR REFINANCING

15 JUNE 2006
• INCREASE IN PROPERTY VALUATIONS AND NET ASSETS
• FINAL DISTRIBUTION DECLARATION
• FY07 DISTRIBUTION GUIDANCE

8 MAY 2006
• REFINANCING FINAL RESULTS

6 APRIL 2006
• ALE ACQUIRES BERWICK INN HOTEL
• MAJOR DEBT REFINANCING PLAN

21 FEBRUARY 2006
• DECEMBER HALF-YEAR RESULTS
• DECEMBER HALF-YEARLY REPORT

15 DECEMBER 2005
• INCREASE IN PROPERTY VALUATIONS
• INTERIM DISTRIBUTION DECLARATION

8 NOVEMBER 2005
• CPI BASED RENTAL INCREASES

24 OCTOBER 2005
• AGM 2005 RESULTS

1 SEPTEMBER 2005
• EXTENSION OF INTEREST RATE HEDGING

I am delighted to report to you for the third successive year a very pleasing result for ALE. Significant increases in distributions and property values have been achieved, together with a reduction in risk and ongoing interest costs through an innovative capital management programme.

Distributable profit $14.6 million (up by 24.6%)
For the year ending 30 June 2006 ALE substantially increased its distributable profit and has paid total distributions of $14.5 million, or 16.0 cents per stapled security. This is 24.5% higher than the distribution for 2005 and 15.9% higher than the guidance given halfway through the year.

The distribution for FY06 is 100% tax deferred. The distribution for FY07 is also expected to be 100% tax deferred.

Major contributors to distributable profit include:

Income

Property income $47.6 million (up by 3.5%)
- ALE's total income from its properties rose 3.5% in the year, driven by inflation based rental increases averaging 2.96% across the portfolio and the addition of rental income from ALE's new acquisition, the Berwick Inn Hotel, Victoria.

Interest income $1.2 million (up by 0.5%)
- ALE holds cash on deposit in order to provide security for its senior debt facilities and provide liquidity for its ongoing operations.
- ALE's efficient cash management combined with marginally increased interest rates have led to higher interest income during the year.

Expenses

Cash interest expense $29.0 million (down by 7.4%)
- Marginal increase in expense due to 100% debt funding of the Berwick Inn Hotel purchase in February 2006.
- Reduction in expense due to lower cash interest rate under the new financing arrangements (from 10 May to 30 June).
- Reduction in expense due to one-off refinancing items (realisation of interest rate swap benefits, less refinancing costs).

Land tax $1.2 million (up by 1.1%)
- ALE pays land tax in Queensland only. The small land tax increase this year was due to the addition of the CBX Hotel, Caloundra to ALE's portfolio. All other regular property outgoings are paid by ALE's tenant, Australian Leisure and Hospitality Group Limited (ALH).

Management expense $4.0 million (up by 34%)
- During the year ALE incurred a net $1.6 million on costs associated with an acquisition that did not proceed.
- Offsetting this increase, ALE was able to reduce management costs in other areas by $0.6 million.
- ALE's internal management structure enabled ALE's management expense ratio (MER) to be maintained at 0.24%. This is one of the lowest in the listed property trust (LPT) sector, which has an average MER of around 0.6%.

Net profit $52.2 million (AIFRS)
Under the Australian equivalents to International Financial Reporting Standards (AIFRS), the calculation of net profit for ALE includes a number of non-cash and therefore non-distributable items, including in particular the revaluation of the property portfolio during the period.

Including these non-cash items, ALE's net profit for the year is $52.2 million, with the major contributing factors being portfolio revaluations of $50.3 million (up by 7.7%).
- DTZ revalued 90 of ALE's properties during the year. Based upon advice from DTZ, the directors revalued the remaining properties in the portfolio on a pro-rata basis.
- Total portfolio value of $717.6 million, represents revaluation increases of $50.3 million or 7.7% over the June 2005 figure, plus an additional $15.9 million in respect of the purchase of the Berwick Inn Hotel, Victoria.
- The portfolio revaluations show an improvement in the average portfolio capitalisation rate to 6.57% (excluding development properties).
- The portfolio continues to be valued on a single property basis and accordingly excludes any premium that may be evident from a portfolio valuation. DTZ's view is that a portfolio valuation would show a premium based on the ability of the properties to be sold in various sized parcels to different sectors of the property investor market.

Capital management
In FY06 ALE made use of the flexibility built into its 2003 senior debt arrangements and refinanced its existing commercial mortgage backed securities (CMBS) in favour of a more efficient, longer-term and asset-matched debt structure.

In a debt refinancing which won the "INSTO" asset backed security award, ALE is the first Australian listed property trust to issue (AAA rated) Capital Indexed Bonds (CIBs).

The CIBs lower ALE's cash interest payments, extend ALE's debt and interest rate hedging terms while also matching ALE's interest expense to its inflation-linked rental stream.

As at 30 June 2006 ALE's gearing was 68.2%, which compares with 88.6% at IPO and 71.5% at 30 June 2005. Borrowings currently comprise:

$125 million of 2023, AAA rated Capital Indexed Bonds (CIBs):
- fixed interest rate is 3.40% p.a. (including margin)
- capital balance and interest increase with national inflation (CPI), closely matching the property rental profile.

$225 million of 2011 commercial mortgage backed securities (CMBS):
- current hedged interest rate is 6.034% p.a. (including margin).


THE ABOVE PICTURE DOES NOT REPRESENT A CURRENT ALE ASSET

$150 million of 2011 ALE Notes:

- listed on the ASX (code LEPHB)
- fixed interest rate is 7.265% (including margin).

Accordingly, ALE's FY07 weighted average cash borrowing rate has reduced from 6.52% p.a. to 5.72% p.a. ALE's average weighted debt term has extended from 3.1 years to eight years.

The refinancing also improved ALE's interest cover ratios. The net cash flow generated by ALE (rental income less management expenses and land tax) for FY07 is expected to cover net cash interest obligations by 1.66 times. This compares to a cover of 1.48 times for FY06.

Acquisitions

ALE continues to seek suitable opportunities to add to its existing portfolio. During 2006, ALE selectively reviewed a number of opportunities that were consistent with the following acquisition criteria:

- long-term indexed leases
- tenants with sustainable capacity to pay rent
- properties that are strategically important to the tenant's core business
- other features that provide for the tenant or third parties to assume significant property risks and costs.

During the year ALE and its advisers spent considerable time pursuing acquisition opportunities which met ALE's previously specified investment criteria. In addition to management time, ALE incurred a net $1.6 million in due diligence costs associated with an acquisition that did not proceed. Whilst disappointing, ALE was confident that its ultimate risk position and pricing were at levels that did not sacrifice security holder value.

ALE is in an excellent position to make value accretive acquisitions, however, management and the Board will continue to be patient and disciplined to ensure that the quality of its property holdings are maintained.

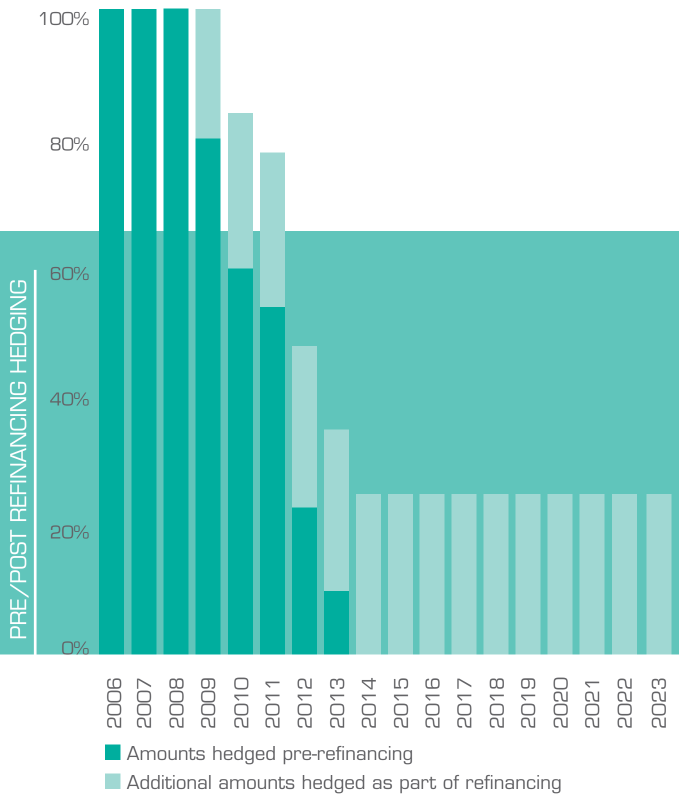
In October 2005, ALE acquired the recently completed CBX Hotel, Caloundra on Queensland's Sunshine Coast under its development agreement with Foster's Group Limited (Foster's) and ALH. Two of the remaining three properties are under development by Foster's and ALH, with completion times as follows:

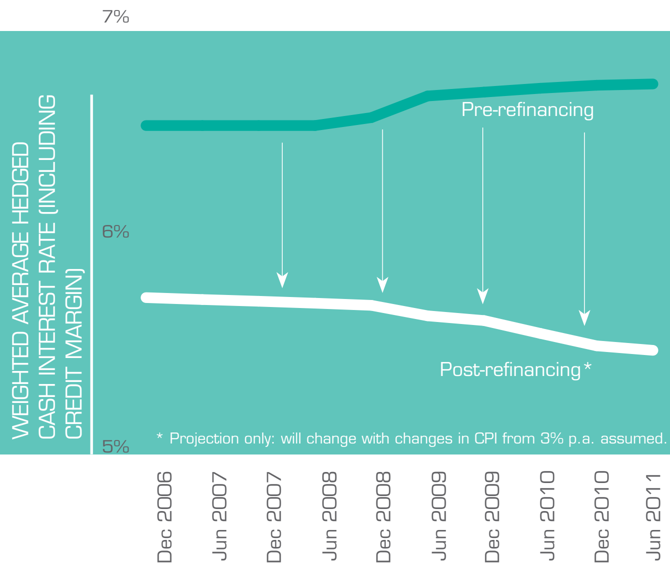
- Narrabeen Hotel, NSW December 2006
- Burleigh Heads Hotel, QLD December 2007.

The Parkway Hotel, NSW is currently the subject of discussion between ALE, ALH and Foster's. The outcome of those discussions will be communicated to the market on completion.

ALH and Foster's are assuming the development risk for each of these three properties.

In February 2006, ALE purchased the Berwick Inn Hotel, Victoria for $15.0 million, adding its first property to the portfolio since listing in November 2003. As at June 2006, rent represents 7.2% of the purchase price. The property is leased to ALH on terms equivalent to the leases in the remainder of the portfolio. The Berwick Inn Hotel is a landmark historic hotel in Victoria and adds additional value to ALE security holders. The property was independently valued at $16.0 million at 30 June 2006.





Investment performance

ALE's story remains based on the solid foundations of:

- long-term leases – certainty of rental income
- inflation indexation – strong likelihood of rental growth
- interest rate hedging – certainty of cost containment, and
- internal management – maximum returns to investors.

These features provide:

- security of distributions, and
- relative certainty of distribution growth.

In the year under review, ALE's stapled security price increased from $2.06 to $2.70. Combined with the distributions paid, the total return for stapled security holders over the year was 39.4%, making ALE a standout performer when compared to the LPT sector average of 17%.

Where some other property trusts pay performance fees to external managers, ALE's significant current year outperformance flows directly to its stapled security holders.

Outlook

The outlook for the year to June 2007 is positive. Current expectations are for a CPI increase of between 3.5% and 4% for the year ending September 2006. The actual CPI increase will be announced in late October 2006 and will be reflected in rental increases commencing November 2006. This increase in rent is expected to have a positive impact on the value of the property portfolio and therefore the Net Assets per stapled security.

Interest savings achieved through the refinancing will continue to have a positive impact on future earnings and distributable cash flow. Management will also continue to work to identify opportunities where further interest hedging and savings may be achieved.

As part of the refinancing (described above) ALE obtained indicative rating agency approval for further issuance of $74 million of senior debt which would enable ALE to raise funds for an acquisition if required.

This capacity, combined with one of the lowest costs of capital in the market, leaves ALE well positioned to participate in additional transactions that will provide value to ALE stapled security holders.

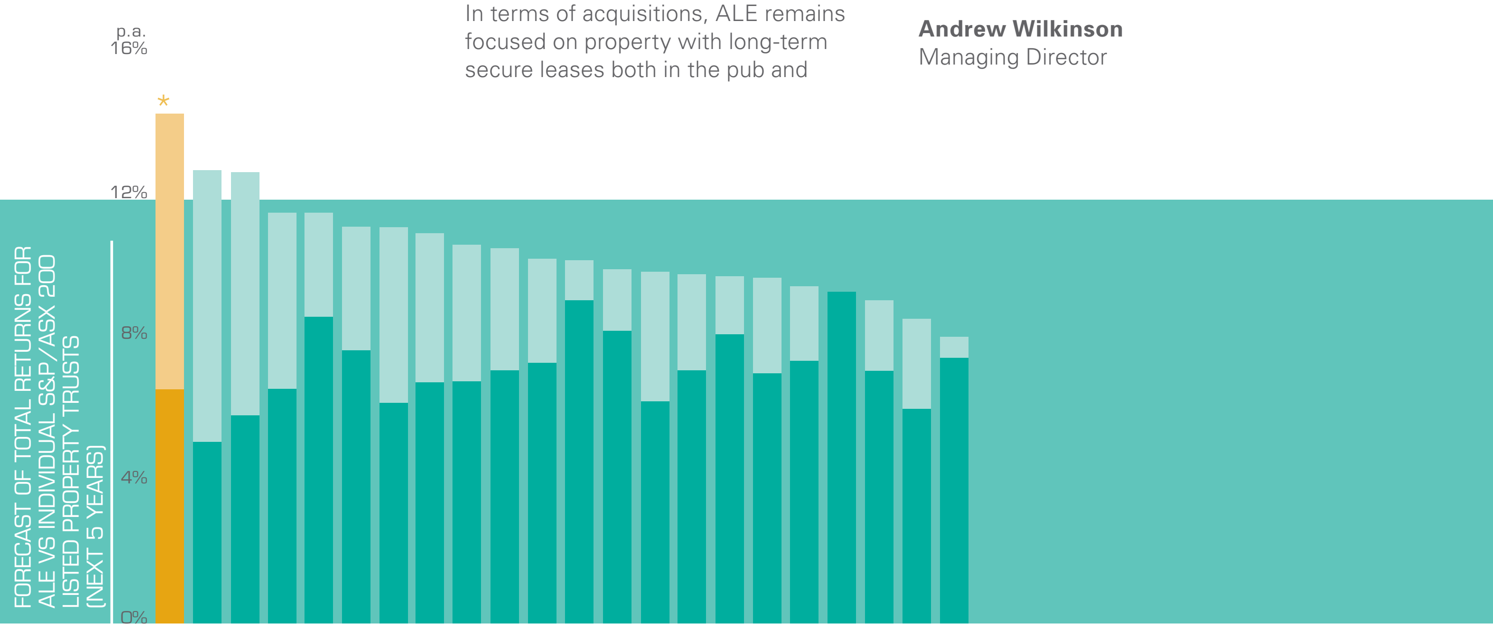
In terms of acquisitions, ALE remains focused on property with long-term secure leases both in the pub and other commercial property sectors. ALE will continue to pursue value accretive opportunities.

Given ALE's current interest rate hedging and gearing position, inflation indexed increases in property rentals substantially flow through to stapled security holders at a distribution growth rate equivalent to a multiple of inflation.

In addition ALE reaffirms guidance given on 15 June 2006 that, on an unchanged portfolio basis, it expects to pay distributions of at least 19.0 cents for the full year ending 30 June 2007. This guidance is based upon the distribution of around 4.0 cents per security of capitalised interest accruing to the balance of the CIBs. In future years the Board of ALE will make a decision regarding the distribution of the CIBs' capitalised interest having regard to acquisition opportunities, gearing levels and other matters.

Once again, I thank ALE's Board, management team and investors for continued support in what has been a year of significant performance.

Andrew Wilkinson
Managing Director



ALE
- FY07 Distribution Yield
- 5 year Distribution Growth (p.a.)

S&P/ASX 200 Listed Property Trusts
- FY07 Distribution Yield
- 5 year Distribution Growth (p.a.)

Source: Macquarie, September, 2006.
Note: This is not a forecast by ALE Property Group.
* ALE's distribution for 2007 is expected to be 100% tax deferred. This may provide some investors with additional after tax returns.

Andrew Wilkinson
BBus, CFTP

Managing Director

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 banking, corporate finance and funds management.

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 eight 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.

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 16 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 six 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

The company secretary is Mr Brendan Howell. Brendan 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 over 16 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 over seven 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.

Darren Barkas
BCom, GDipAppFin (Sec Inst), GradDipAppCorpGov, CPA, ACIS, F Fin

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 20 years experience in accounting, taxation, treasury, financial control and operational management inclusive of 10 years within property funds management. Darren previously held a number of senior financial positions within the property division of AMP Capital investors where, over a seven year period, he was responsible for a wide range of financial, taxation, unit pricing and registry functions for a number of listed and unlisted property funds. At ALE, Darren's experience has expanded to include company secretarial and property portfolio administration and management functions.

Darren has a Bachelor of Commerce degree from the University of Wollongong, a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia.

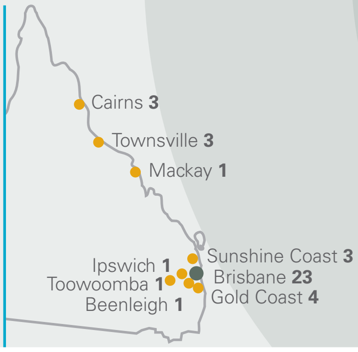
Darren is a member of CPA Australia, the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and is a fellow of the Financial Services Institute of Australasia.

property portfolio

106 properties strategically located

Our portfolio continues to go from strength to strength as we acquire quality properties well located in the areas in which people live and work.

BRISBANE/QUEENSLAND

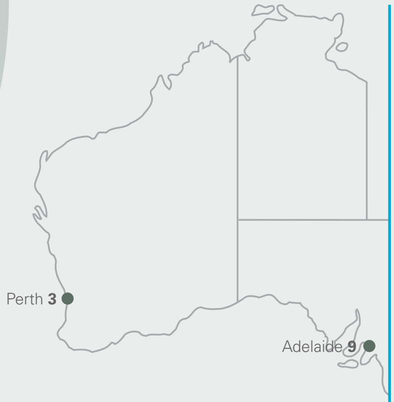


BREAKFAST CREEK HOTEL, BRISBANE, QLD


NEW BRIGHTON HOTEL, MANLY, NSW

SYDNEY/NEW SOUTH WALES

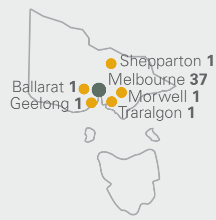
PERTH/WESTERN AUSTRALIA + ADELAIDE/SOUTH AUSTRALIA




QUEENS TAVERN, HIGHGATE, WA


SANDOWN PARK HOTEL, VIC

MELBOURNE/VICTORIA



NEW BRIGHTON HOTEL, MANLY, NSW

NEW BRIGHTON HOTEL,
71 The Corso, Manly, NSW

Prime real estate set on a pedestrian mall and located 50m from the beach. Huge tourist destination, busy seven days a week.

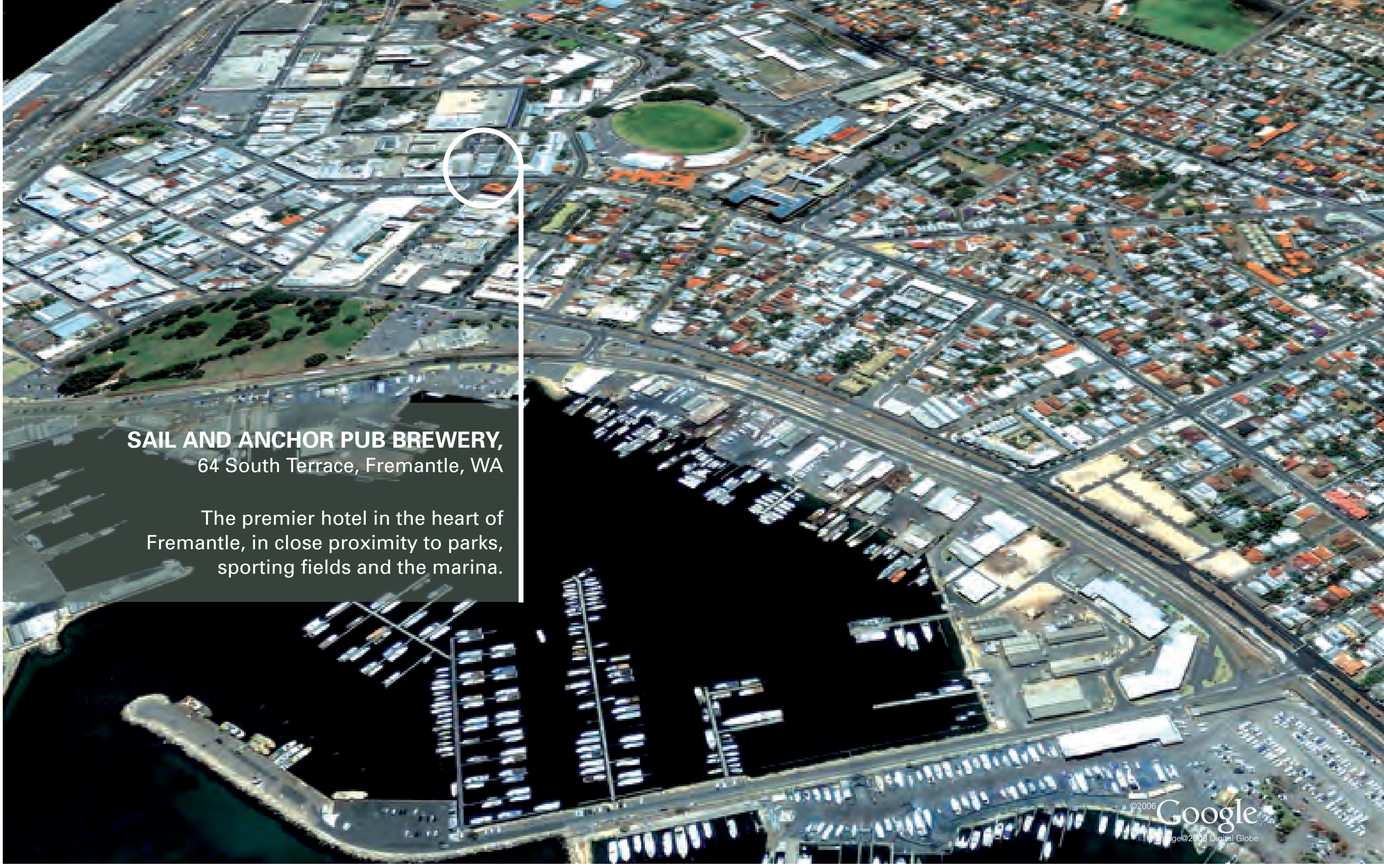
NEW SOUTH WALES (INCLUDING SYDNEY CITY AND SUBURBAN LOCATIONS) – 12 HOTELS **BLACKTOWN INN HOTEL,** Blacktown, NSW / **BROWN JUG HOTEL,** Fairfield, NSW / **COLYTON HOTEL,** St Marys, NSW / **CROWS NEST HOTEL,** Crows Nest, NSW / **KIRRIBILLI HOTEL,** Milsons Point, NSW / **MELTON HOTEL,** Auburn, NSW / **NARRABEEN SANDS HOTEL,** Narrabeen, NSW / **NEW BRIGHTON HOTEL,** Manly, NSW / **PARKWAY HOTEL,** Frenchs Forest, NSW / **PIONEER TAVERN,** Penrith, NSW / **PYMBLE HOTEL,** Pymble, NSW / **SMITHFIELD HOTEL,** Smithfield, NSW

RAMSGATE HOTEL, HENLEY BEACH, SA

RAMSGATE HOTEL,
328 Seaview Road, Henley Beach, SA

Popular local venue located right across the road from community amphitheatre, beach and pier.

SOUTH AUSTRALIA (INCLUDING ADELAIDE CITY AND SUBURBAN LOCATIONS) – 9 HOTELS **ABERFOYLE HUB TAVERN,** Aberfoyle Park, SA / **ENFIELD HOTEL,** Clearview, SA / **EUREKA HOTEL,** Salisbury, SA / **EXETER HOTEL,** Exeter, SA / **FINSBURY HOTEL,** Woodville North, SA / **GEPPS CROSS,** Blair Athol, SA / **HENDON HOTEL,** Royal Park, SA / **STOCKADE TAVERN,** Salisbury, SA / **RAMSGATE HOTEL,** Henley Beach, SA



SAIL AND ANCHOR PUB BREWERY, FREMANTLE, WA

WESTERN AUSTRALIA (INCLUDING PERTH CITY AND SUBURBAN LOCATIONS) – 3 HOTELS **QUEENS TAVERN,** Highgate, WA / **SAIL AND ANCHOR PUB BREWERY,** Fremantle, WA / **WANNEROO VILLA TAVERN,** Wanneroo, WA

YOUNG & JACKSON HOTEL, MELBOURNE, VIC

VICTORIA (INCLUDING MELBOURNE CITY AND SUBURBAN LOCATIONS) – 42 HOTELS **ASHLEY HOTEL,** Braybrook, Vic / **BAYSWATER HOTEL,** Bayswater, Vic / **BERWICK INN,** Melbourne, Vic / **BLACKBURN HOTEL,** Blackburn, Vic / **BLUE BELL HOTEL,** Wendouree, Vic / **BURVALE HOTEL,** Nunawading, Vic / **CLUB HOTEL,** Ferntree Gully, Vic / **CRAMERS HOTEL,** Preston, Vic / **DAVEY'S HOTEL,** Frankston, Vic / **DEER PARK HOTEL,** Deer Park, Vic / **DONCASTER INN HOTEL,** Doncaster, Vic / **ELSTERNWICK HOTEL,** Elwood, Vic / **ELTHAM HOTEL,** Eltham, Vic / **FERNTREE GULLY HOTEL & MOTEL,** Ferntree Gully, Vic / **GATEWAY HOTEL,** Corio, Vic / **KEYSBOROUGH HOTEL,** Keysborough, Vic / **MAC'S HOTEL,** Melton, Vic / **MEADOW INN HOTEL,** Fawkner, Vic / **MITCHAM HOTEL,** Mitcham, Vic / **MORWELL HOTEL,** Morwell, Vic / **MOUNTAIN VIEW HOTEL,** Glen Waverly, Vic / **OLINDA CREEK HOTEL,** Lilydale, Vic / **PIER HOTEL/21ST CENTURY,** Frankston, Vic / **PLOUGH HOTEL,** Mill Park, Vic / **PRINCE MARK HOTEL,** Doveton, Vic / **RIFLE CLUB HOTEL,** Williamstown, Vic / **ROSE SHAMROCK AND THISTLE HOTEL,** Reservoir, Vic / **ROYAL EXCHANGE HOTEL,** Traralgon, Vic / **ROYAL HOTEL (SUNBURY),** Sunbury, Vic / **ROYAL HOTEL ESSENDON,** Essendon, Vic / **SANDBELT HOTEL,** Moorabbin, Vic / **SANDOWN PARK HOTEL,** Noble Park, Vic / **SANDRINGHAM HOTEL,** Sandringham, Vic / **SOMERVILLE HOTEL,** Somerville, Vic / **STAMFORD INN HOTEL,** Rowville, Vic / **SYLVANIA HOTEL,** Campbellfield, Vic / **TUDOR INN HOTEL,** Cheltenham, Vic / **THE VALE HOTEL** (previously the Springvale Hotel), Mulgrave, Vic / **VICTORIA HOTEL,** Shepparton, Vic / **VILLAGE GREEN HOTEL,** Glen Waverly, Vic / **WESTMEADOWS TAVERN,** Westmeadows, Vic / **YOUNG & JACKSON HOTEL,** Melbourne, Vic

PELICAN WATERS HOTEL, PELICAN WATERS, QLD

PELICAN WATERS HOTEL,
Pelican Waters Boulevard, Pelican Waters, Qld

Redeveloped in 2004, the Pelican Waters Hotel sits on the waterfront only 5km from Caloundra, on Queensland's beautiful Sunshine Coast.

QUEENSLAND COAST – 16 HOTELS **ANGLERS ARMS HOTEL,** Southport, Qld / **BALACLAVA HOTEL,** Cairns (Earlville), Qld / **BURLEIGH HEADS HOTEL,** Burleigh Heads, Qld / **CBX HOTEL,** Caloundra, Qld / **DALRYMPLE HOTEL,** Garbutt, Qld / **EDGE HILL TAVERN,** Manoora, Cairns, Qld / **IMPERIAL HOTEL,** Beenleigh, Qld / **KIRWAN TAVERN,** Townsville, Qld / **MIAMI HOTEL,** Miami, Qld / **MOUNT PLEASANT HOTEL,** North Mackay, Qld / **NOOSA REEF HOTEL,** Noosa Heads, Qld / **PALM BEACH HOTEL,** Palm Beach, Qld / **PELICAN WATERS HOTEL,** Pelican Waters, Qld / **THE VALE HOTEL AND AIKENVALE MOTEL,** (Aikenvale), Townsville, Qld / **WILSONTON HOTEL, WILSONTON,** Toowoomba, Qld / **WOREE TAVERN,** Woree, Cairns, Qld

BREAKFAST CREEK HOTEL, BREAKFAST CREEK, QLD

BREAKFAST CREEK HOTEL,
2 Kingsford Smith Drive, Breakfast Creek, Qld

Set at the mouth of Breakfast Creek on the Brisbane River, the Breakfast Creek Hotel is arguably the most famous watering hole in Queensland.

QUEENSLAND (INCLUDING BRISBANE CITY AND SUBURBAN LOCATIONS) – 24 HOTELS **ALBANY CREEK TAVERN,** Albany Creek, Qld / **ALBION HOTEL,** Albion, Qld / **ALDERLEY ARMS HOTEL,** Alderley, Qld / **BREAKFAST CREEK HOTEL,** Breakfast Creek, Qld / **CAMP HILL HOTEL,** Camp Hill, Qld / **CHARDONS CORNER HOTEL,** Annerly, Qld / **EDINBURGH CASTLE HOTEL,** Kedron, Qld / **FERNY GROVE TAVERN,** Ferny Grove, Qld / **FOUR MILE CREEK,** Strathpine, Qld / **HAMILTON HOTEL,** Hamilton, Qld / **HOLLAND PARK HOTEL,** Holland Park, Qld / **KEDRON PARK HOTEL,** Kedron Park, Qld / **LAWNTON TAVERN,** Lawnton, Qld / **MT GRAVATT HOTEL,** Mt Gravatt, Qld / **NUDGEE BEACH HOTEL,** Nudgee, Qld / **OXFORD 152,** Bulimba, Qld / **PETRIE HOTEL,** Petrie, Qld / **PRINCE OF WALES,** Nundah, Qld / **RACEHORSE HOTEL,** Booval, Qld / **REDLAND BAY HOTEL,** Redland Bay, Qld / **ROYAL EXCHANGE HOTEL,** Toowong, Qld / **SPRINGWOOD TAVERN,** Springwood, Qld / **STONES CORNER TAVERN,** Stones Corner, Qld / **SUNNYBANK HOTEL,** Sunnybank, Qld

BOARD OF DIRECTORS

Peter H Warne
BA
Chairman and Independent Director

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 of BTAL was acquired by Macquarie Bank Limited in 1999.

Peter is also a board member of two other listed entities being ASX 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 13.

John Henderson
BBldg, MRICS, AAPI
Independent Director

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.

James McNally
BBus (Land Economy), DipLaw
Executive Director

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

James has over 12 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.

Helen Wright
LLB, MAICD
Independent Director

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

Helen 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 the Statutory and Other Offices Remuneration Tribunal for NSW and serves on the Province Management Advisory Council of the Little Company of Mary (Calvary Hospitals). Until recently Helen was a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority and was Deputy Chair of the Australia Day Council of NSW to December 2002. Prior boards include Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

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

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 2006.

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 financial report commencing on page 30.

To assist the Board in undertaking its own performance evaluation and that of directors, last year it 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 has considered going forward to further enhance current practice.

During the second half of this year, the Board will review its own performance and that of its directors and committees, and will continue to undertake these reviews on an annual basis. The Board 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.

Peter Warne and Helen Wright will be retiring and standing for re-election as directors 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 four members, being three non-executive independent directors and an independent consultant.

Helen Wright, an independent director, has been appointed as Chair of the Committee. The other members of the Committee are Peter Warne and John Henderson, also independent directors, and independent consultant David Lawler.

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 fulfil 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 financial report on page 30.

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 financial report commencing on page 30.

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 Limited (Next Financial) which acts as an Investment Manager. Next Financial holds on behalf of its clients 4,254,837 stapled securities 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 financial report on page 30.

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.

Details of directors' and employees' holdings in ALE Securities are set out in the directors' report in the financial report on page 29.

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

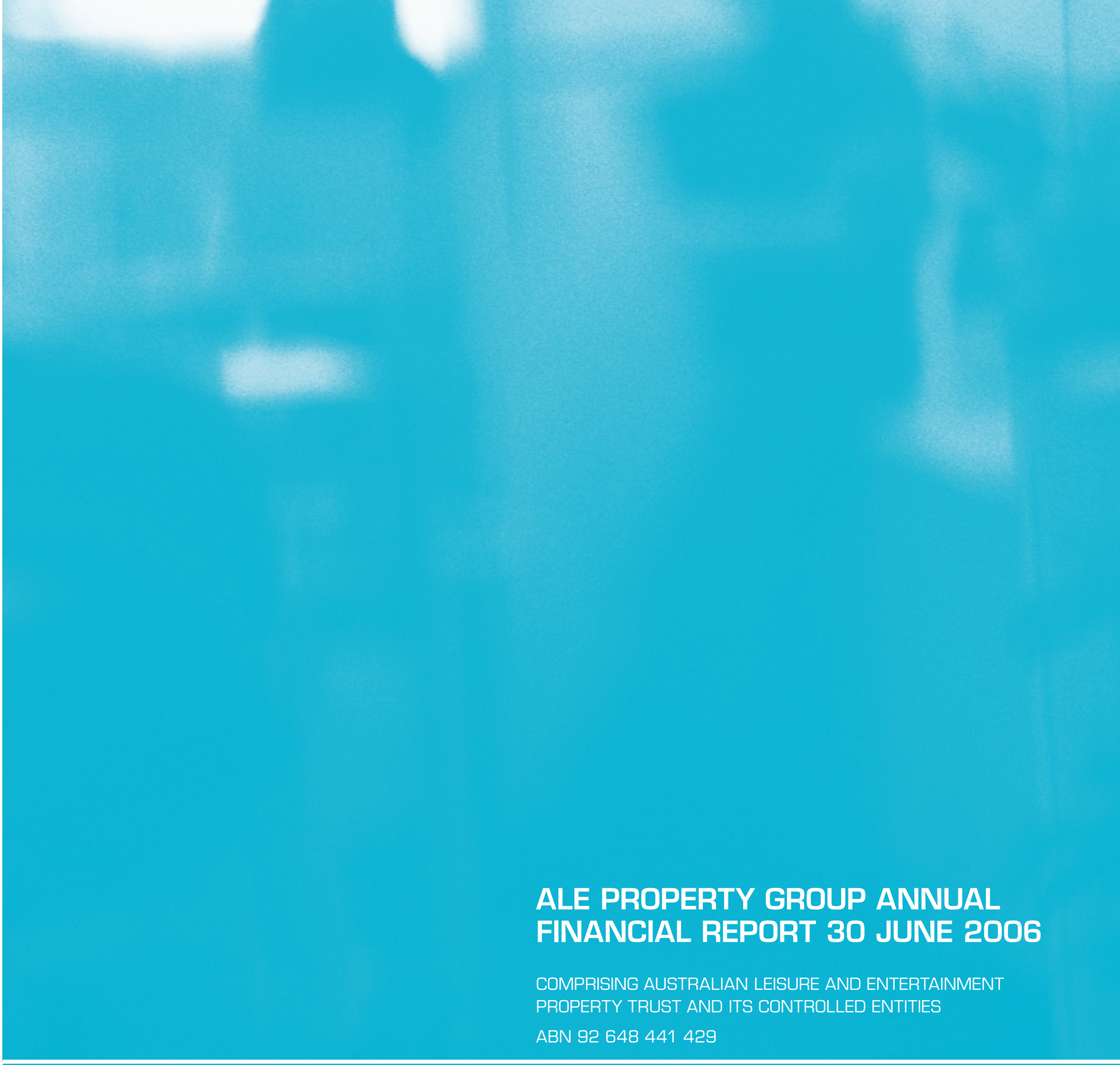
Distributions are paid to security holders every six months.

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 fulfil these functions.



ALE PROPERTY GROUP ANNUAL FINANCIAL REPORT 30 JUNE 2006

COMPRISING AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST AND ITS CONTROLLED ENTITIES

ABN 92 648 441 429

raising the bar

CONTENTS

The ALE Property Group ("ALE") comprises Australian Leisure and Entertainment Property Trust ("Trust") and its controlled entities being ALE Direct Property Trust ("Sub-Trust"), ALE Finance Company Pty Limited ("Finance Company") and Australian Leisure and Entertainment Property Management Limited ("Company") as the responsible entity of the Trust.

The registered office and principal place of business of the Company is:

Level 8
15-19 Bent Street
Sydney 2000

The directors of the Company present their report, together with the consolidated financial report of ALE for the year ended 30 June 2006.

Directors

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

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

Principal activities

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

Significant changes in the state of affairs

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

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 ALE's operations, the results of those operations or the state of affairs of ALE.

Likely developments and expected results of operations

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

In accordance with the leases of its investment properties, ALE will receive increases in rental income in line with increases in the consumer price index. The directors are not aware of any other future developments likely to significantly affect the operations and/or results of ALE.

Distributions and dividends

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

	2006 $'000	2005 $'000
Final Trust distribution for the year ended 30 June 2006 of 9.20 cents (2005: 6.60 cents) per stapled security to be paid on 31 August 2006	8,354	5,993
Interim Trust distribution for the year ended 30 June 2006 of 6.80 cents (2005: 6.25 cents) per stapled security paid on 28 February 2006	6,174	5,675
Total full year distribution for the year ended 30 June 2006 16.00 cents (2005: 12.85 cents)	**14,528**	**11,668**

No provisions for or payments of Company dividends have been made during the year (2005: nil).

Review and results of operations

ALE achieved a net profit in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) of $52.2 million for the year ended 30 June 2006. With the introduction of AIFRS reporting standards, this amount includes several items not included in last year's accounting results. Figures for the year ending 30 June 2005 are shown in accordance with AIFRS.

The directors have produced a table below which separates the cash profit available to be distributed to stapled security holders and the non-cash items which make up the total net profit. The directors believe this will help stapled security holders gain a more complete understanding of the results of operations of ALE.

	CONSOLIDATED	
	30 June 2006 $'000	30 June 2005 $'000
Distributable profit from operations		
Property income (including rent and interest)	47,586	45,996
Interest income from cash deposits	1,181	1,175
Management expenses	(4,006)	(2,989)
Land tax	(1,151)	(1,139)
Interest expenses (cash – including swaps and refinancing)	(29,032)	(31,342)
Total distributable profit	**14,578**	**11,701**
Other profit items		
Fair value adjustments to investment properties	50,256	74,800
Fair value adjustments to derivatives	7,028	–
Finance costs (non-cash)	(18,227)	(6,429)
Income tax expense/(benefit)	(1,428)	49
Total other profit items	**37,629**	**68,420**
Total net profit	**52,207**	**80,121**

Distributable profit per stapled security for the year ended 30 June 2006 is 16.06 cents, an increase of 25% over last year. After all fair value movements, basic earnings per stapled security for the year ended 30 June 2006 are 57.50 cents per stapled security.

		CONSOLIDATED	
	Note	30 June 2006 Cents	30 June 2005 Cents
Earnings and distribution per stapled security:			
Basic and diluted earnings per stapled security	10(a)	57.50	88.24
Distributable earnings per stapled security (i.e. basic earnings before fair value, income tax and other adjustments)	10(b)	16.06	12.89
Distribution per stapled security for the year	10(c)	16.00	12.85

Summary of financial highlights:

Distributable profit increased by 25% to $14.6 million.

Distributions paid increased by 25% to 16.00 cents per stapled security.

Total property portfolio value increased by 10.2% to $717.6 million.

Net assets per stapled security increased by 22% to $2.64 per stapled security.

Information on directors

Mr Peter 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 of BTAL was acquired by Macquarie Bank Limited in 1999.

Peter is also a board member of two other listed entities being ASX 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.

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.

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 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 the Statutory and Other Offices Remuneration Tribunal for NSW and serves on the Province Management Advisory Council of the Little Company of Mary (Calvary Hospitals). Until recently Helen was a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority and was Deputy Chair of the Australia Day Council of NSW to December 2002. Prior boards include Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

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

Mr Andrew 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 banking, corporate finance and funds management.

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 eight 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.

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

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 12 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.

Company Secretary

The company secretary is Mr Brendan Howell. Brendan 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 over 16 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 over seven 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.

Independent member of Audit, Compliance and Risk Management Committee (ACRMC)

Mr David Lawler B.Bus, CPA,
Independent ACRMC Member

Experience and expertise
David was appointed to ALE's ACRMC on 9 December 2005 and has 25 years experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia.

David is an audit committee member of the Australian Office of Financial Management, the Defence Materiel Organisation, Austrade, the Australian Sports Anti-Doping Authority and the Australian National University.

David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and President of the Institute of Internal Auditors – Australia.

Directorships of listed entities within the last three years

The following director held directorships of other listed entities within the last three years and from the date appointed up to the date of this report unless otherwise stated:

Director	Directorships of listed entities	Type	Appointed
P H Warne	SFE Corporation Limited [(a)]	Non-executive	October 2000
P H Warne	Australian Stock Exchange Limited	Non-executive	July 2006
P H Warne	Macquarie Capital Alliance Group	Non-executive	February 2005

(a) In July 2006, the Australian Stock Exchange Limited (ASX) and SFE Corporation Limited (SFE) merged with the SFE becoming a wholly owned subsidiary of the ASX. Peter was appointed to the board of the ASX on 25 July 2006.

Special responsibilities of directors

The following are the special responsibilities of each director:

Directors	Special responsibilities
P H Warne	Chairman of the Board. Member of the Audit, Compliance and Risk Management Committee (ACRMC) (resigned as Chairman on 15 August 2005, continuing as member). Chairman of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC (appointed Chair 15 August 2005). Member of the Remuneration Committee.
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company. Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).
J T McNally	Responsible Officer of the Company under its AFSL.

Key management personnel interests in stapled securities and options

The following key management personnel and their associates held or currently hold the following stapled securities in ALE:

Name	Role	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
P H Warne	Non-executive Director	453,400	196,600	650,000
J P Henderson	Non-executive Director	40,000	15,000	55,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	51,998	16,002	68,000
A J Slade	Investment and Acquisitions Manager	–	12,000	12,000
D S Barkas	Group Financial Controller	46,810	1,517	48,327

The following director currently holds options over stapled securities of ALE:

Name	Director	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
A F O Wilkinson	Executive Director	300,000	–	300,000

Meetings of directors

The numbers of meetings of the Company's board of directors and of each Board committee held during the year ended 30 June 2006 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 MEETINGS	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	15	15	5	5	2	2
J P Henderson	15	15	5	5	2	2
H I Wright	15	15	5	5	2	2
A F O Wilkinson	15	15	–	–	–	–
J T McNally	15	15	–	–	–	–
Member of ACRMC						
D J Lawler	–	–	3	2	–	–

1 "Held" reflects the number of meetings which the director or member 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

The information provided under these headings includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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 creation of value for the stapled 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 the stapled security 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 the stapled security 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 the reward framework's 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.

Remuneration report (continued)

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 ALE over a number of periods with greater emphasis given to the current year. Over the past year ended 30 June 2006 the total return on ALE's stapled securities (inclusive of distribution returns) was 39.4% (2005: 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 were set by the Board in September 2003. The Board may 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 from 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 set in September 2003. The directors' fees are 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 shareholders. 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 director's 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
- 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 executive pay is competitive with the market. Executive pay is also reviewed on promotion.

There is no guaranteed base pay increase in any executive contract.

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 (KPIs) 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 KPIs 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 ended 30 June 2006, the KPIs link to STI plans were based on Company, individual, business and personal objectives. The KPIs required performance in managing operating and funding costs, compliance with legislative requirements, risk management, 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 KPIs 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.

Long-term incentives (LTI)

A long-term incentive in the form of options over ALE stapled securities, exercisable between November 2006 and November 2007 (except if the Company is subject to takeover, then to February 2007) was provided to the Managing Director, Mr Wilkinson, in November 2003 at an issue price of $1.036.

Stapled security options granted

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

Remuneration report (continued)

B Details of remuneration (audited)

Amount of remuneration
Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "Short-term incentives", above. All other elements of remuneration are not directly related to performance.

Table 1 Remuneration details 1 July 2005 to 30 June 2006
Details of the remuneration of the key management personnel for the year ended 30 June 2006 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	261,758	100,000	–	12,139	7,993	381,890
J T McNally	Executive Director	75,000	–	–	–	–	75,000
B R Howell	Company Secretary	75,000	–	–	–	–	75,000
A J Slade	Investment and Acquisitions Manager	138,831	40,000	–	11,539	–	190,370
D S Barkas	Group Financial Controller	99,803	20,000	26,600	10,477	–	156,880
		894,704	160,000	26,600	49,843	7,993	1,139,140

Table 2 Remuneration details 1 July 2004 to 30 June 2005
Details of the remuneration of the key management personnel for the year ended 30 June 2005 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	191,954	65,000	–	15,081	7,993	280,028
J T McNally	Executive Director	81,250	–	–	–	–	81,250
B R Howell	Company Secretary	81,250	–	–	–	–	81,250
D S Barkas	Group Financial Controller	127,282	20,000	6,800	10,462	–	164,544
		726,048	85,000	6,800	41,231	7,993	867,072

Cash bonuses
For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the 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	133	–
A J Slade	100	–
D S Barkas	100	–

Remuneration report (continued)

C Service agreements

On 10 November 2003, the Company entered into a three year service agreement with the 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 ALE 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.

The employment contracts of Mr Barkas and Mr Slade may be terminated at one month's 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 unissued stapled securities of ALE were granted in November 2003 to Mr 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 ALE 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 and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Stapled securities under option

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

Date options granted	Expiry date	Issue price of stapled securities	Number under option
10-Nov-03	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

To date no stapled securities of ALE have been issued on the exercise of options.

Insurance of officers and auditor

During the financial year, the Company paid a premium of $29,844 (2005: $41,766) to insure the directors and officers of the Company. The auditor of the Company is 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.

Past employment with external auditor

Mr Wilkinson, Managing Director, previously held a position as a corporate advisory partner without any audit responsibilities of ALE's external auditor, PricewaterhouseCoopers. Mr Wilkinson resigned his partnership prior to accepting the appointment as Chief Executive Officer of ALE on 24 November 2003.

Non-audit services

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

The board of directors has considered the position and in accordance with the advice received from the ACRMC and 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 ACRMC 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 auditor's 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.

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

	2006 $	2005 $
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of the financial reports of ALE and other audit work required under the Corporations Act 2001		
– in relation to current year	135,400	125,750
– in relation to prior year	1,500	60,000
Total remuneration for audit services	**136,900**	**185,750**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	26,173	29,944
Due diligence services – acquisitions not proceeding	142,250	31,300
Assurance services – internal control review	9,000	7,000
Total remuneration for other assurance services	**177,423**	**68,244**
Total remuneration for assurance services	**314,323**	**253,994**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	9,000	15,000
Due diligence services – acquisitions not proceeding	223,000	–
Tax consulting services	25,135	24,190
Total taxation services	**257,135**	**39,190**

Includes amounts allocated to the Company of $314,323 for assurance services (2005: $253,994) and $257,135 for taxation services (2005: $39,190).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 35.

Environmental regulation

Whilst ALE 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 two of the properties ongoing testing is being undertaken and if further work is required indemnities are held in excess of any remediation amounts likely to be required.

Rounding of amounts

ALE is an entity of the kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. 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 29th day of August 2006

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Auditor's Independence Declaration

As lead auditor for the audit of Australian Leisure and Entertainment Property Trust for the year ended 30 June 2006, 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 Trust during the period.

S J Hadfield
Partner

PricewaterhouseCoopers

Sydney
29 August 2006

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Revenue					
Rent from investment properties	2	45,583	43,766	–	–
Interest – investment arrangements	2	2,003	2,230	–	–
Distributions	3	–	–	25,589	20,939
Interest from cash deposits	4	1,181	1,175	4	–
Total revenue		**48,767**	**47,171**	**25,593**	**20,939**
Other income					
Fair value adjustments to investment properties	14	50,256	74,800	–	–
Fair value adjustments to derivatives	6	7,028	–	77	–
Other income		600	–	–	–
Total other income		**57,884**	**74,800**	**77**	**–**
Total income		**106,651**	**121,971**	**25,670**	**20,939**
Expenses					
Finance costs – (cash and non-cash)	5	47,259	37,771	12,573	13,013
Management fees		–	–	2,276	2,185
Queensland land tax expense		1,151	1,139	–	–
Other expenses	8	4,606	2,989	100	296
Total expenses		**53,016**	**41,899**	**14,949**	**15,494**
Profit before income tax		**53,635**	**80,072**	**10,721**	**5,445**
Income tax expense/(benefit)	9	1,428	(49)	–	–
Profit after income tax		**52,207**	**80,121**	**10,721**	**5,445**
Profit attributable to the stapled security holders of ALE		**52,207**	**80,121**	**10,721**	**5,445**
		Cents	Cents	Cents	Cents
Basic and diluted earnings per stapled security	10(a)	57.50	88.24	11.81	6.00
Distribution per stapled security for the year	10(c)	16.00	12.85	16.00	12.85

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

RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITY HOLDERS

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Profit attributable to the stapled security holders of ALE		**52,207**	**80,121**	**10,721**	**5,445**
Total distribution (non-cash) adjustments	10	**(37,629)**	**(68,420)**	**3,807**	**2,960**
Available for distribution		**14,578**	**11,701**	**14,528**	**8,405**
Distributions paid or provided for		14,528	11,668	14,528	11,668
Available and undistributed	10	**50**	**33**	**–**	**(3,263)**

Basic and diluted earnings per stapled security before fair value, income tax and other amounts is disclosed in note 10 of this financial report.

CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2006

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Current assets					
Cash and cash equivalents	11	28,992	19,477	305	9
Receivables	12	1,012	371	24,714	22,956
Derivative – interest rate swaps	7	5,250	–	88	–
Loans and deposits – investment properties	15	13,662	11,746	–	–
Current tax asset	9	7	–	–	–
Other	13	55	5,793	12	2,305
Total current assets		**48,978**	**37,387**	**25,119**	**25,270**
Non-current assets					
Investment properties	14	695,470	625,000	–	–
Loans and deposits – investment properties	15	8,465	14,713	–	–
Investments in controlled entities	17	–	–	210,943	210,943
Plant and equipment	16	101	141	–	–
Deferred tax asset	21	578	99	–	–
Other	13	–	13,585	–	5,423
Total non-current assets		**704,614**	**653,538**	**210,943**	**216,366**
Total assets		**753,592**	**690,925**	**236,062**	**241,636**
Current liabilities					
Payables	18	7,599	6,963	2,773	2,770
Derivative – interest rate swaps	7	229	–	–	–
Provisions	19(a)	8,415	6,026	8,354	5,994
Other	19(b)	4,327	341	–	302
Total current liabilities		**20,570**	**13,330**	**11,127**	**9,066**
Non-current liabilities					
Borrowings	20	492,065	480,783	142,539	150,783
Deferred tax liability	22	1,648	–	–	–
Total non-current liabilities		**493,713**	**480,783**	**142,539**	**150,783**
Total liabilities		**514,283**	**494,113**	**153,666**	**159,849**
Net assets		**239,309**	**196,812**	**82,396**	**81,787**
Equity					
Contributed equity	23	81,787	81,787	81,787	81,787
Retained profits/(loss)	24	157,501	115,012	609	–
Reserve	25	21	13	–	–
Total equity		**239,309**	**196,812**	**82,396**	**81,787**
Net assets per stapled security		**$2.64**	**$2.17**	**$0.91**	**$0.90**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Total equity at the beginning of the year		**196,812**	**128,351**	**81,787**	**88,010**
Adjustment on adoption of AASB 132 and AASB 139 to retained profits	26	4,544	–	4,416	–
Deferred tax asset recognised on adoption of AASB 132 and AASB 139		266	–	–	–
Restated total equity at the beginning of the financial year		201,622	128,351	86,203	88,010
Profit for the year		**52,207**	**80,121**	**10,721**	**5,445**
Total recognised income and expenses for the year		**52,207**	**80,121**	**10,721**	**5,445**
Transactions with equity holders in their capacity as equity holders:					
Employee share options	25	8	8	–	–
Distribution paid or payable	10	(14,528)	(11,668)	(14,528)	(11,668)
		(14,520)	**(11,660)**	**(14,528)**	**(11,668)**
Total equity at the end of the year		**239,309**	**196,812**	**82,396**	**81,787**

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

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash flows from operating activities					
Receipts from tenant and others		54,127	48,143	–	30
Payments to suppliers and employees		(8,539)	(11,008)	(28)	(805)
Interest received – bank deposits and investment arrangements		3,120	3,505	4	16
Loans to related entities		–	–	(2,055)	–
Interest received – interest rate swap terminations		2,729	–	1,635	–
Interest received – interest rate swaps		729	527	740	713
CMBS prepayment interest – May 2006		(558)	–	–	–
Borrowing costs paid		(33,087)	(32,127)	–	–
Net cash inflow/(outflow) from operating activities	28	**18,521**	**9,040**	**296**	**(46)**
Cash flows from investing activities					
Investment property acquisition		(15,000)	–	–	–
Investment property acquisition costs		(882)	–	–	–
Payments for plant and equipment		(28)	(168)	–	–
Net cash (outflow) from investing activities		**(15,910)**	**(168)**	**–**	**–**
Cash flows from financing activities					
CMBS issued – February 2006		15,000	–	–	–
CMBS repaid – May 2006		(345,000)	–	–	–
CMBS issued – May 2006		225,000	–	–	–
CIB issued – May 2006		125,873	–	–	–
CMBS and CIBs prepaid borrowing costs		(1,801)		–	
Distributions paid		(12,168)	(12,485)	–	–
Net cash inflow/(outflow) from financing activities		**6,904**	**(12,485)**	**–**	**–**
Net increase/(decrease) in cash and cash equivalents held		**9,515**	**(3,613)**	**296**	**(46)**
Cash and cash equivalents at the beginning of the year		19,477	23,090	9	55
Cash and cash equivalents at the end of the year	11	**28,992**	**19,477**	**305**	**9**
Non-cash investing activities					
Investment property acquisition and costs		4,332	–	–	–

The CBX Hotel, Caloundra, Queensland was acquired in September 2005. A loan, deposit and costs were funded in November 2003 in relation to this property. These amounts were applied to the acquisition resulting in no cash flow impact on acquisition.

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

Note 1 Summary of significant accounting policies

This general purpose financial report for the year ended 30 June 2006 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial report includes separate financial statements for Australian Leisure and Entertainment Property Trust ("the Trust") as an individual entity and the consolidated entity, the ALE Property Group ("ALE"), consisting of the Trust and its subsidiaries.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)
This annual financial report is the first ALE annual financial report to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these consolidated financial statements.

The financial statements of ALE up until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the ALE annual financial statements for the year ended 30 June 2006, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. ALE has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on ALE's equity and its net profit are given in note 38 to the year end financial report.

Historical cost convention
These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Accounting for ALE

ALE, the stapled entity, was formed by stapling together the units in the Trust and the shares in the Company. For the purposes of financial reporting, the stapled entity reflects the consolidated entity. The parent entity and deemed acquirer in this arrangement is the Trust. The basis of this approach is consistent with current practice in relation to the financial reporting obligations of stapled entities under UIG 1013 Interpretation of Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapled Arrangements. The consolidated results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2005 to 30 June 2006.

The stapled securities of ALE are quoted on the Australian Stock Exchange under the code LEP and comprise one unit in the Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and can not be traded separately. Each entity forming part of ALE is a separate legal entity in its own right under the Corporations Act 2001 and Australian Accounting Standards.

The Company is the Responsible Entity of the Trust.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at balance date and the results for the period then ended. The Trust and its controlled entities together are referred to in this financial report as ALE or the consolidated entity. Entities are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Subsidiaries are all those entities (including special purpose entities) over which ALE has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether ALE controls another entity.

All balances and effects of transactions between the subsidiaries of ALE have been eliminated in full.

(d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash at bank, deposits at call and short-term money market securities which are readily convertible to cash.

Note 1 Summary of significant accounting policies (continued)

(e) Receivables
Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that all amounts due may not be collected according to the original terms of the receivables. The amount of any provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(f) Investment property
Properties (including land and buildings) held for long-term rental yields and that are not occupied by ALE are classified as investment properties.

Investment property is initially brought to account at cost which includes the cost of acquisition, stamp duty and other costs directly related to the acquisition of the properties. The properties are subsequently revalued and carried at fair value. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset or where this is not available, an appropriate valuation method which may include discounted cash flow projections and the capitalisation method. The fair value reflects, among other things, rental income from the current leases and assumptions about future rental income in light of current market conditions. It also reflects any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the properties' carrying amount only when it is probable that future economic benefits associated with the item will flow to ALE and the cost of the item can be reliably measured.

Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated.

The carrying value of the investment property is reviewed at each reporting date and is independently revalued at least every three years. Changes in the fair values of investment properties are recorded in the income statement.

(g) Plant and equipment
Plant and equipment including office fixtures, fittings and operating equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to its acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to ALE and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
Land is not depreciated. Depreciation on depreciable plant and equipment (office fixtures, fittings and operating equipment) is calculated using the straight line method or diminishing method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful life of depreciable plant and equipment is as follows:

Furniture, fittings and equipment	4 – 13 years
Software	3 years
Leasehold improvements	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(h) Investments and financial assets
Financial assets classified as loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise when money and services are provided to a debtor with no intention of selling the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial asset are spread over its effective life.

From 1 July 2004 to 30 June 2005
ALE has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. ALE has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and deposits which are measured at amortised cost, fair value is the measurement basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 July 2005) changes to carrying amounts were taken to retained profits/(loss).

Note 1 Summary of significant accounting policies (continued)

(i) Trade and other payables
These amounts represent liabilities for goods and services provided to ALE prior to the end of the period which are unpaid at the balance sheet date. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Borrowings
Interest bearing liabilities are initially recognised at cost, being the fair value of the consideration received, net of issue and other transaction costs associated with the borrowings.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial liability are spread over the expected life of the borrowings on an effective interest rate basis.

Prior to 1 July 2005, issue and other transaction costs associated with borrowings were capitalised and amortised on a straight line basis.

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

(k) Derivatives

From 1 July 2004 to 30 June 2005
ALE has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. ALE has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives were accounted for under previous AGAAP.

Interest rate swaps
The net amount receivable or payable under interest rate swap agreements was progressively brought to account over the period to settlement. The amount recognised was accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Where an interest rate swap was terminated early and the underlying hedged transaction was:

(a) still expected to occur as designated: the gains or losses arising on the swap upon its early termination continued to be deferred and were progressively brought to account over the period during which the hedged transactions were recognised.

(b) no longer expected to occur as designated: the gains or losses arising on the swap upon its early termination were recognised in the income statement at the date of termination.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives were taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments – note 26.
- Reserves and retained profits – note 24.

From 1 July 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. ALE designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

ALE documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. ALE also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 7.

To date ALE has not designated any of its derivatives as cash flow hedges and accordingly ALE has valued them all at fair value with movements recorded in the income statement.

(l) Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Note 1 Summary of significant accounting policies (continued)

(m) Distributions and dividends
Provision is made for the amount of any distributions or dividends declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(n) Contributed equity
Ordinary units and ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new units, shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

Distributions to stapled security holders that include a return of capital are shown in equity as a transfer from (reduction of contributed) equity.

(o) Revenue recognition
Rental income from operating leases is recognised on a straight line basis over the lease term. An asset will be recognised to represent the portion of an operating lease revenue in a reporting period relating to fixed increases in operating lease revenue in future periods. These assets will be recognised as a component of investment properties.

Interest and investment income is brought to account on a time proportion basis using the effective interest rate method and if not received at balance date is reflected in the consolidated balance sheet as a receivable.

(p) Expenses
Expenses including borrowing costs, operating expenses, Queensland land tax and other outgoings are brought to account on an accruals basis.

(q) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as a current liability in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised as an expense when the leave is taken and measured at the rates paid or payable.

(ii) Share based payments after 7 November 2002 and vested after 1 January 2005
The fair value of options granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account 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 and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to contributed equity.

(iii) Bonus plans
Liabilities and expenses for bonuses are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Long service leave
ALE will begin to recognise liabilities for long service leave when employees reach a qualifying period of continuous service. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with the terms to maturity and currency that match, as closely as possible, the estimated future cash flow.

(v) Retirement benefit obligations
ALE pays fixed contributions to employees' funds and ALE's legal or constructive obligations are limited to these contributions. The contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Note 1 Summary of significant accounting policies (continued)

(r) Income tax

(i) Trusts
Under current legislation, Trusts are not liable for income tax, provided that their taxable income and taxable realised gains are fully distributed to security holders each financial year.

(ii) Companies
The income tax expense or revenue for the reporting period is the tax payable on the current reporting period's taxable income based on the Australian company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax balances are calculated using the balance sheet method. Under this method, temporary differences arise between the carrying amount of assets and liabilities in the financial statements and the tax bases for the corresponding assets and liabilities. However, an exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Similarly, no deferred tax asset or liability is recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled.

Deferred tax assets are recognised for temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(s) Earnings per stapled security

(i) Basic earnings per stapled security
Basic earnings per stapled security is calculated by dividing the profit attributable to the equity holders of ALE by the weighted average number of stapled securities outstanding during the reporting period.

(ii) Diluted earnings per stapled security
Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential stapled securities and the weighted average number of stapled securities assumed to have been issued for no consideration in relation to dilutive potential stapled securities.

(t) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) New accounting standards and UIG interpretation
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. ALE's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset Contains a Lease
UIG 4 is applicable to annual periods beginning on or after 1 January 2006. ALE has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. ALE will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of ALE's current arrangements.

(ii) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. ALE has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to ALE's financial instruments.

Note 1 Summary of significant accounting policies (continued)

(v) Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(w) Functional and presentation currency
Items included in the financial statements of each of the ALE entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is ALE's functional and presentation currency.

(x) Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Fair value estimates of investment properties and derivatives are particularly reliant on estimates and judgements.

(y) Rounding of amounts
The financial report of ALE has been prepared in accordance with Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report to the nearest thousand dollars, unless otherwise stated. Amounts in the financial report have been rounded off in accordance with that Class Order.

(z) Financial risk management
ALE's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow risk. ALE's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of ALE. ALE uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures (note 20 provides further information).

(i) Credit risk
The major credit risk is the risk that the tenant will fail to perform its contractual obligations including honouring the terms of the lease agreements either in whole or in part. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the tenant has appropriate financial standing and by the various security arrangements that are in place.

A secondary credit risk exists in respect of the loans to Foster's Group Limited made by ALE under the conditional sale contracts of properties under development. Credit risk has been minimised primarily by ensuring, on a continuous basis, that Foster's Group Limited has appropriate financial standing and by the various security arrangements that are in place.

The credit risk on financial assets of ALE which have been recognised in the consolidated balance sheet is generally the carrying amount net of any provision for doubtful debts.

(ii) Liquidity and cash flow risk
Liquidity risk is the risk that ALE will experience difficulty in either realising or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through actively managing significant exposures to large creditors and ensuring counterparties have appropriate financial standing.

(iii) Market risk
Market risk is the risk that the value of ALE's investment properties will fluctuate as a result of changes in valuations. To the extent controllable, this risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 2 Rent from investment properties and interest from investment arrangements					
Rent from investment properties		45,583	43,766	–	–
Interest – investment arrangements		2,003	2,230	–	–
		47,586	**45,996**	**–**	**–**

As at 30 June 2006 the weighted average investment property rental yield was 6.57% (2005: 7.06%) and the weighted average investment arrangements loan interest as a percentage of investment property loans, deposits and costs equated to a yield of 8.65% (2005: 8.48%).

All of ALE's investment property lease rentals are reviewed to state based CPI annually. None of the lease rentals are subject to fixed increases.

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 3 Distributions					
Distributions		–	–	25,589	20,939
		–	**–**	**25,589**	**20,939**

Trust distribution from the Sub-Trust to the Trust. As this is a transaction within the consolidated group it is eliminated on consolidation.

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 4 Interest income					
Operating bank and term deposit interest		1,181	1,175	4	–
		1,181	**1,175**	**4**	**–**

As 30 June 2006 the weighted average interest rate earned on cash was 5.83% (2005: 5.59%)

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 5 Finance costs – (cash and non-cash)					
Cash excluding refinancing costs					
Commercial Mortgage Backed Securities (CMBS) interest expense		20,371	20,953	–	–
Capital Indexed Bonds (CIBs) interest paid or payable		454		–	–
ALE Notes interest expense		10,898	10,898	10,898	10,898
Swaps interest (benefit)	(a)	–	(528)	–	(713)
Other expenses		165	201	39	42
	(b)	**31,888**	**31,524**	**10,937**	**10,227**
Non-cash excluding refinancing costs					
CIBs interest capitalised		527	–	–	–
Amortised costs – Pre May 2006 CMBS		2,789	3,461	–	–
Amortised costs – May 2006 CMBS and CIBs		21	–	–	–
Amortised costs – ALE Notes		1,227	2,308	1,227	2,308
Amortisation of ALE Notes premium		409	478	409	478
	(c)	**4,973**	**6,247**	**1,636**	**2,786**
Cash and non-cash refinancing costs					
Pre May 2006 CMBS prepayment break cost		558	–	–	–
Write off unamortised balance of prepaid costs – refinanced pre May 2006 CMBS		9,840	–	–	–
	(d)	**10,398**	**–**	**–**	**–**
Finance costs (cash and non-cash)		**47,259**	**37,771**	**12,573**	**13,013**

Note 5 Finance costs – (cash and non-cash) (continued)

(a) Swaps interest (benefit)
Under AIFRS the swap interest for the 2006 year is included in fair value adjustments to derivatives (note 6).

(b) Cash excluding refinancing costs
Finance costs expensed during the period that have either been paid or are payable in cash at balance date.

(c) Non-cash excluding refinancing costs
Amortisation of prepaid borrowing costs (paid upfront) and the capitalised components of the ALE Notes premium and CIBs interest (payable on maturities in September 2011 and November 2023 respectively).

(d) Cash and non-cash refinancing costs
As a result of refinancing $345 million of CMBS with new CMBS and CIBs during May 2006 $558,000 of prepayment interest (cash) was incurred on the refinanced fixed rate CMBS and $9,840,000 of unamortised prepaid borrowing costs (non cash) relating to the $345 million of refinanced CMBS was expensed.

In reconciling profits/(loss) after tax to amounts available for distribution to stapled security holders the $4,973,000 of non-cash expenses at note 5(c) and the $9,840,000 of non-cash expenses included at note 5(d) were both added back thereby recognising that their non-cash nature increases cash profits available for distribution. Note 10 contains further information.

		CONSOLIDATED		PARENT ENTITY	
	Note	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Note 6 Fair value adjustments to derivatives					
Interest rate swaps fair value adjustments net gain/(loss)		3,648	–	(2,171)	–
Swaps interest net (receivable)/payable at balance date		(26)	–	–	–
Swap interest benefit received/receivable		3,406	–	2,248	–
		7,028	**–**	**77**	**–**
Interest expenses and benefits under interest rate swap contracts are recognised within the movement of interest rate derivative fair values.					
Note 7 Derivative assets/(liabilities)					
Asset		**5,250**	**0**	**88**	**0**
Liability		**(229)**	**0**	**0**	**0**
Net asset/(liability)		5,021	–	88	–
ALE is exposed to changes in interest rates and uses interest rate swaps to hedge these risks. From 1 July 2005 these interest rate swaps are carried on the consolidated balance sheet at fair value. Changes in fair value are recognised in the consolidated income statement. ALE has not restated its comparative figures for this change (note 1(a) provides further information).					
Note 8 Other expenses					
Legal fees		58	143	–	–
Insurance		85	111	–	–
Occupancy costs		105	92	–	–
Property condition and compliance audits		106	52	–	–
Trustee and custodian fees		116	112	99	96
Auditors' remuneration		144	182	–	–
Property valuation fees		216	243	–	–
Salaries, fees and related costs		1,233	906	–	–
Prepaid (at IPO) advisory costs		–	174	–	174
Acquisition proposal due diligence	(a)	2,189	177	–	–
Other		354	797	1	26
		4,606	**2,989**	**100**	**296**

(a) Costs incurred by the Company, as responsible entity for the Trust, in relation to property acquisitions that did not proceed to completion. The amount disclosed is before recoveries from third parties.

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 9 Income tax					
Current tax (benefit)		(7)	–		–
Deferred tax expense		1,435	(49)	–	–
		1,428	**(49)**	**–**	**–**
Deferred income tax expense included in income tax expense comprises:					
Decrease/(increase) in deferred tax asset (note 21)		(213)	(49)	–	–
(Decrease)/increase in deferred tax liabilities (note 22)		1,648	–	–	
		1,435	(49)	–	–
Reconciliation of income tax expense to prima facie tax payable					
Profit before the income tax expense		53,635	80,072	10,721	5,445
Less: Profit attributable to the entities not subject to tax		(48,908)	(80,244)	(10,721)	(5,445)
Profit/(loss) before income tax expense subject to tax		4,727	(172)	–	–
Tax at the Australian tax rate 30% (2005: 30%)		1,418	(52)	–	–
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Expenditure held on balance sheet		(9)	–	–	–
Share based payments		2			
Entertainment		1	1		
Under provision in prior years		16	2	–	–
Income tax expense		**1,428**	**(49)**	**–**	**–**
Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss but directly debited or credited to equity:					
Fair value adjustments to derivatives		(266)	–		
		(266)	**–**	**–**	**–**
Note 10 Distributions					
Reconciliation of profits/loss after tax to amounts available for distribution:					
Profit after income tax	(a)	52,207	80,121	10,721	5,445
Plus/(Less)					
Fair value adjustments to investment properties		(50,256)	(74,800)	–	–
Fair value adjustments to derivatives		(7,028)	–	(77)	–
Employee share option expense		8	8	–	–
Interest rate derivatives net receipts		3,406	–	2,248	–
Non-cash excluding refinancing costs	5	4,973	6,247	1,636	2,786
Non-cash refinancing costs	5	9,840	–	–	–
Income tax expense/(benefit)		1,428	(49)	–	–
Prepaid IPO costs		–	174	–	174
Total distribution (non-cash) adjustments		**(37,629)**	**(68,420)**	**3,807**	**2,960**
Available for distribution	(b)	**14,578**	**11,701**	**14,528**	**8,405**
Distributions paid or provided for	(c)	14,528	11,668	14,528	11,668
Available and undistributed		**50**	**33**	**–**	**(3,263)**

Note 10 Distributions (continued)

		CONSOLIDATED 2006 Stapled securities on Issue	CONSOLIDATED 2005 Stapled securities on Issue	PARENT ENTITY 2006 Stapled securities on Issue	PARENT ENTITY 2005 Stapled securities on Issue
Divide note 10 (a), (b) and (c) (above) by stapled securities on issue to calculate cents per stapled security		**90,800,100**	90,800,100	**90,800,100**	90,800,100
		Cents	Cents	Cents	Cents
(a) Basic and diluted earnings per stapled security		**57.50**	88.24	**11.81**	6.00
(b) Basic and diluted earnings per stapled security before fair value adjustments, non-cash amortisation of borrowing costs and prepaid advisory fees		**16.06**	12.89	**16.00**	9.26
(c) Distribution per stapled security		**16.00**	12.85	**16.00**	12.85
	Note	$'000	$'000	$'000	$'000
Note 11 Cash assets and cash equivalents					
Cash at bank and in hand		4,783	202	5	9
Deposits at call		18,709	13,775	300	–
Cash reserve		5,500	5,500	–	–
		28,992	**19,477**	**305**	**9**

The cash reserve of $5.5 million is required to be held as a cash reserve as part of the terms of the CMBS issue in order to provide liquidity against CMBS obligations to scheduled CMBS maturity on 20 May 2011 and final maturity on 20 May 2015.

During the year ended 30 June 2006 all cash assets were placed on deposit with either the ANZ Banking Group Limited, Commonwealth Bank of Australia Limited or Macquarie Bank Limited. As at 30 June 2006 the weighted average interest rate on all cash assets was 5.83% (2005: 5.59%).

Note 12 Receivables					
Accounts receivable		880	303	–	100
Interest receivable		132	68	–	–
Loan to related party – the Company		–	–	699	350
Loan to related party – the Sub-Trust		–	–	24,015	22,506
		1,012	**371**	**24,714**	**22,956**

Accounts receivable comprise expenditure incurred by ALE that are recoverable from its tenant, Australian Leisure and Hospitality Group Pty Limited, or from Foster's Group Limited and other parties.

Note 13 Other					
Current					
Prepaid capitalised borrowing costs	(a)	–	5,754	–	2,301
Other prepaid expenses		55	39	12	4
		55	**5,793**	**12**	**2,305**
Non-current					
Prepaid capitalised borrowing costs	(a)	–	13,585	–	5,423
		–	**13,585**	**–**	**5,423**
Total		**55**	**19,378**	**12**	**7,728**

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Note 13 Other (continued)				
(a) Reconciliation of capitalised borrowing costs:				
Opening unamortised lead manager's incentive fee	–	25,109	–	10,032
Amount expensed during the year	–	(5,769)	–	(2,308)
	–	**19,340**	**–**	**7,724**

The prepaid borrowing costs of $28.8 million incurred in November 2003 were, until 1 July 2005, being expensed in a straight line over the remaining term of the five year period to which it related.

From 1 July 2005 ALE has adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. This has resulted in all capitalised borrowing costs being disclosed as a reduction in borrowings (note 20). The fee of $28.8 million has, since 1 July 2005, been expensed from inception not on a straight line basis, but on an amortised costs basis that applies an effective yield equivalent to the interest rate required to discount all cash flows on the fixed rate CMBS, ALE Notes and capitalised borrowing costs back to the face value of the fixed rate borrowings at inception.

The amortised cost on an effective yield basis results in prepaid capitalised borrowing costs being expensed at a lower rate in the earlier years and at a higher rate in the later years of the term when compared to the straight line basis. The amortisation adjustment required as at 30 June 2005 has been applied directly to retained profits/(loss) (for further information refer to note 26).

Note 14 Investment properties

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

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Carrying amount at beginning of the year	625,000	550,200	–	–
Acquisitions	20,214	–	–	–
Net gain from fair value adjustments	50,256	74,800	–	–
Carrying amount at the end of the year	**695,470**	**625,000**	**–**	**–**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value 30 June 2006 $'000	Fair value 30 June 2005 $'000	Fair value gains (losses) 30 June 2006 $'000
New South Wales						
Blacktown Hotel, Blacktown	Nov-03	5,470	B	7,100	6,600	500
Brown Jug Hotel, Fairfield Heights	Nov-03	5,659	B	7,300	6,900	400
Colyton Hotel, Colyton	Nov-03	8,205	B	10,600	9,900	700
Crows Nest Hotel, Crows Nest	Nov-03	8,771	B	11,400	10,600	800
Kirribilli Hotel, Kirribilli	Nov-03	5,847	B	7,300	6,850	450
Melton Hotel, Auburn	Nov-03	3,112	A	3,900	3,700	200
New Brighton Hotel, Manly	Nov-03	8,865	A	11,200	10,500	700
Pioneer Hotel, Penrith	Nov-03	5,848	A	7,600	6,800	800
Pymble Hotel, Pymble	Nov-03	2,830	A	3,450	3,250	200
Smithfield Tavern, Smithfield	Nov-03	4,150	A	5,500	5,100	400
Total New South Wales properties		**58,757**		**75,350**	**70,200**	**5,150**
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,394	B	10,500	9,600	900
Albion Hotel, Albion	Nov-03	4,433	A	5,800	5,200	600
Alderley Arms Hotel, Alderley	Nov-03	3,301	B	4,300	4,100	200
Anglers Arms Hotel, Southport	Nov-03	4,433	B	5,700	5,300	400
Balaclava Hotel, Cairns	Nov-03	3,301	A	4,100	3,800	300
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,656	A	12,000	11,700	300
Caloundra Hotel, Caloundra	Oct-05	4,332	C	5,500	–	1,168
Camp Hill Hotel, Camp Hill	Nov-03	2,264	A	2,900	2,750	150
Chardons Corner Hotel, Annerly	Nov-03	1,415	A	1,800	1,500	300
Dalrymple Hotel, Townsville	Nov-03	3,207	C	4,050	3,700	350
Edge Hill Tavern	Nov-03	2,358	A	3,100	3,000	100
Edinburgh Castle Hotel, Kedron	Nov-03	3,112	B	3,900	3,600	300
Ferny Grove Tavern, Ferny Grove	Nov-03	5,847	A	7,100	6,600	500
Four Mile Creek, Strathpine	Jun-04	3,672	B	4,900	4,600	300
Hamilton Hotel, Hamilton	Nov-03	6,602	A	7,700	7,400	300
Holland Park Hotel, Holland Park	Nov-03	3,773	B	5,100	4,600	500
Imperial Hotel, Beenleigh	Nov-03	2,452	B	3,200	2,900	300
Kedron Park Hotel, Kedron Park	Nov-03	2,264	A	2,900	2,700	200
Kirwan Tavern, Townsville	Nov-03	4,433	C	5,750	5,300	450
Lawnton Tavern, Lawnton	Nov-03	4,433	A	5,400	5,100	300
Miami Hotel, Miami	Nov-03	4,055	B	5,400	4,800	600
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,207	B	4,000	3,700	300
Mount Pleasant Tavern, Mackay	Nov-03	1,792	C	2,300	2,200	100
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	A	9,700	8,300	1,400
Nudgee Beach Hotel	Nov-03	3,018	A	3,900	3,500	400
Oxford 152, Bulimba	Nov-03	4,999	B	6,300	5,600	700
Palm Beach Hotel, Palm Beach	Nov-03	6,885	B	8,800	8,000	800
Pelican Waters, Caloundra	Jun-04	4,237	B	5,200	4,800	400
Petrie Hotel, Petrie	Nov-03	1,698	C	2,150	1,900	250
Prince of Wales Hotel, Nundah	Nov-03	3,395	B	4,300	3,900	400
Racehorse Hotel, Booval	Nov-03	1,792	B	2,600	1,900	700
Redland Bay Hotel, Redland Bay	Nov-03	5,187	B	6,500	5,900	600
Royal Exchange Hotel, Toowong	Nov-03	5,753	B	7,200	6,700	500
Springwood Hotel, Springwood	Nov-03	9,148	B	11,400	10,300	1,100
Stones Corner Hotel, Stones Corner	Nov-03	5,376	A	7,500	6,500	1,000
Sunnybank Hotel, Sunnybank	Nov-03	8,205	B	10,200	9,600	600
Vale Hotel Motel, Townsville	Nov-03	5,659	C	7,300	6,700	600
Wilsonton Hotel, Toowoomba	Nov-03	4,527	C	5,500	5,300	200
Woree Tavern, Cairns	Nov-03	1,037	C	1,250	1,100	150
Total Queensland properties		**171,526**		**217,200**	**194,150**	**18,719**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value 30 June 2006 $'000	Fair value 30 June 2005 $'000	Fair value gains (losses) 30 June 2006 $'000
South Australia						
Aberfoyle Hub, Aberfoyle Park	Nov-03	3,301	B	4,200	4,000	200
Enfield, Clearview	Nov-03	2,452	A	3,350	3,150	200
Eureka, Salisbury	Nov-03	3,301	B	4,200	4,100	100
Exeter, Exeter	Nov-03	1,886	B	2,500	2,350	150
Finsbury, Woodville North	Nov-03	1,603	B	2,100	1,950	150
Gepps Cross, Blair Athol	Nov-03	2,169	B	2,900	2,850	50
Hendon, Royal Park	Nov-03	1,604	A	2,150	2,100	50
Ramsgate, Henley Beach	Nov-03	3,773	A	5,000	4,850	150
Stockade Tavern, Salisbury	Nov-03	4,433	B	5,900	5,500	400
Total South Australian properties		**24,522**		**32,300**	**30,850**	**1,450**
Victoria						
Ashley, Braybrook	Nov-03	3,961	B	5,400	5,000	400
Bayswater, Bayswater	Nov-03	9,903	B	13,400	12,600	800
Berwick Inn, Berwick	Feb-06	15,883	A	16,000	–	117
Blackburn, Blackburn	Nov-03	9,431	B	12,600	11,700	900
Blue Bell, Wendouree	Nov-03	1,981	C	2,900	2,700	200
Burvale, Nunawading	Nov-03	9,714	B	13,800	12,400	1,400
Club Hotel, Ferntree Gully	Nov-03	5,093	A	6,900	6,500	400
Cramers, Preston	Nov-03	8,300	A	12,200	10,900	1,300
Daveys, Frankston	Nov-03	2,546	A	3,600	3,400	200
Deer Park, Deer Park	Nov-03	6,979	B	9,800	9,200	600
Doncaster Hotel/Motel, Doncaster	Nov-03	12,166	A	16,200	15,100	1,100
Elsternwick, Elwood	Nov-03	3,301	B	4,500	4,200	300
Eltham, Eltham	Nov-03	4,716	B	6,800	6,300	500
Ferntree Gully, Ferntree Gully	Nov-03	4,716	A	7,400	6,900	500
Gateway, Corio	Nov-03	3,112	C	4,650	4,300	350
Keysborough, Keysborough	Nov-03	9,620	B	12,800	12,000	800
Mac's Melton, Melton	Nov-03	6,885	B	9,100	8,500	600
Meadow Inn, Fawkner	Nov-03	8,111	B	10,700	10,000	700
Mitcham, Mitcham	Nov-03	8,583	B	11,400	10,600	800
Morwell, Morwell	Nov-03	1,509	A	2,300	2,100	200
Mountain View, Glen Waverly	Nov-03	7,168	A	10,500	9,800	700
Olinda Creek, Lilydale	Nov-03	3,961	B	5,300	4,900	400
Pier, Frankston	Nov-03	8,017	A	10,600	9,500	1,100
Plough, Mill Park	Nov-03	8,488	B	11,200	10,500	700
Prince Mark, Doveton	Nov-03	9,809	A	13,500	12,600	900
Rifle Club, Williamstown	Nov-03	2,735	B	4,100	3,800	300
Rose Shamrock & Thistle, Reservoir	Nov-03	2,641	B	3,700	3,400	300
Royal Essendon, Essendon	Nov-03	4,338	B	5,900	5,500	400
Royal Exchange, Traralgon	Nov-03	2,169	B	3,300	2,900	400
Royal Sunbury, Sunbury	Nov-03	3,112	B	4,100	4,000	100
Sandbelt Club, Moorabbin	Nov-03	10,846	B	15,400	14,400	1,000
Sandown Park, Noble Park	Nov-03	6,319	B	8,400	7,800	600
Sandringham, Sandringham	Nov-03	4,527	B	6,700	6,200	500
Somerville, Somerville	Nov-03	2,641	A	4,000	3,800	200
Stamford, Rowville	Nov-03	12,732	A	17,000	15,900	1,100
Sylvania, Campbellfield	Nov-03	5,376	A	7,300	6,800	500
Tudor Inn, Cheltenham	Nov-03	5,470	B	7,500	7,000	500
Vale, Mulgrave	Nov-03	5,565	B	7,700	7,100	600
Victoria, Shepparton	Nov-03	2,264	C	3,450	3,200	250
Village Green, Mulgrave	Nov-03	12,544	B	16,200	15,100	1,100
Westmeadows, Westmeadows	Nov-03	2,735	B	3,800	3,700	100
Young & Jackson, Melbourne	Nov-03	6,130	B	7,700	7,100	600
Total Victorian properties		**266,097**		**359,800**	**319,400**	**24,517**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value 30 June 2006 $'000	Fair value 30 June 2005 $'000	Fair value gains (losses) 30 June 2006 $'000
Western Australia						
Queens Tavern, Highgate	Nov-03	4,810	A	5,860	5,635	225
Sail & Anchor Hotel, Fremantle	Nov-03	3,112	C	3,610	3,465	145
Wanneroo Villa Tavern, Wanneroo	Nov-03	1,132	C	1,350	1,300	50
Total Western Australian properties		**9,054**		**10,820**	**10,400**	**420**
Total investment properties		**529,956**		**695,470**	**625,000**	**50,256**

Valuation type and date

A Independent valuations conducted during April 2006 with a valuation date of 30 June 2006.
B Independent valuations conducted during May 2006 with a valuation date of 30 June 2006.
C Directors' valuations conducted May 2006 with a valuation date of 30 June 2006.

Investment properties

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

Leasing arrangements

The investment properties are leased to a single tenant under long-term "triple net" operating leases with rentals payable monthly in advance. ALE has incurred no lease incentive costs to date.

Valuation of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

Independent valuations

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 90 properties were independently valued during April and May 2006 on an as at 30 June 2006 basis. The independent valuations are identified as "A" (conducted April 2006) or "B" (conducted May 2006) in the investment property table under the column labelled "Valuation type and date" (above). All of these valuations were completed by Peter Spiller (AAPI) of DTZ Australia (NSW) Pty Ltd.

Directors' valuations

90 of ALE's portfolio of 103 completed properties (an additional three property acquisitions remain subject to completion, refer to note 15) were independently valued during April and May 2006. The remaining 13 completed properties were subject to directors' valuations as at 31 May 2006. The directors' valuations were determined by taking each property's net rent as at 31 May 2006 and capitalising it at a rate equal to the latest independently determined capitalisation rate for that property adjusted by the average change in capitalisation rate evident in the April and May 2006 independent valuations on a state by state basis. The latest independent valuation for the directors' valuation properties was 30 June 2005 for all except Caloundra, Queensland which was completed by Peter Spiller (AAPI) of DTZ Australia (NSW) Pty Ltd on 30 September 2005.

Conditional acquisition of development properties

During November 2003 ALE entered into conditional sale contracts with subsidiaries of Foster's Group Limited to acquire seven properties that were subject to development plans. The conditional sale contracts are conditional upon satisfactory completion of the developments. At 30 June 2006, three of the properties are yet to be acquired (note 15 contains further information).

Note 15 Loans and deposits – investment properties

Deposits and acquisition costs on all of the properties are classified as non-current assets due to them forming a part of the acquisition of investment properties (a non-current asset) under the conditional sale contracts.

As at 30 June 2006:

Property	Expected acquisition quarter ending	Deposits (10% of purchase price) $'000	Loans (90% of purchase price) $'000	Costs $'000	Total acquisition costs $'000
Current					
Narrabeen Sands Hotel, Narrabeen	Dec 2006	–	7,914	–	7,914
Parkway Hotel, Frenchs Forest, NSW	Dec 2006	–	5,748	–	5,748
		–	**13,662**	**–**	**13,662**
Non-current					
Burleigh Heads Hotel, Burleigh Heads	Dec 2007	658	5,914	114	6,686
Narrabeen Sands Hotel, Narrabeen	Dec 2006	879	–	152	1,031
Parkway Hotel, Frenchs Forest, NSW	Dec 2006	638	–	110	748
		2,175	**5,914**	**376**	**8,465**
Total loans and deposits – investment properties		**2,175**	**19,576**	**376**	**22,127**
Total investment properties (note 14)					**695,470**
Total investment properties and loans and deposits – investment properties					**717,597**

As at 30 June 2005:

Property	Expected acquisition quarter ending	Deposits (10% of purchase price) $'000	Loans (90% of purchase price) $'000	Costs $'000	Total acquisition costs $'000
Current					
Caloundra Hotel, Caloundra, QLD		–	3,832	–	3,832
Narrabeen Sands Hotel, Narrabeen		–	7,914	–	7,914
		–	**11,746**	**–**	**11,746**
Non-current					
Caloundra Hotel, Caloundra, QLD		426	–	74	500
Narrabeen Sands Hotel, Narrabeen		879	–	152	1,031
Burleigh Heads Hotel, Burleigh Heads		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 loans and deposits – investment properties		**2,600**	**23,409**	**450**	**26,459**
Total investment properties (note 14)					**625,000**
Total investment properties and loans and deposits – investment properties					**651,459**

ALE paid deposits and made loans to subsidiaries of Foster's Group Limited during November 2003 equal to the purchase prices in the conditional sale contracts for each of the properties. ALE receives monthly interest on the loans equal to the rent otherwise payable on the properties. As at 30 June 2006 the annual interest payable was $1,914,000 (2005: $2,244,000). This equates to a weighted average interest rate of 9.78% (2005: 9.59%) on the loan amount of $20,723,000 (2005: $23,409,000) and a weighted average interest rate of 8.80% (2005: 8.63%) on the purchase price of $22,898,000 (2005: $26,009,000).

Under the conditional sale contracts ALE will acquire legal title to each of these properties on completion of the relevant development at the purchase price agreed at the November 2003 exchange of contracts. Independent valuations will be undertaken on each of the developments when complete and, if necessary, the purchase price will be adjusted down to reflect the value. If the completion valuation results in an increase in value there will be no adjustment to the purchase price. ALE and members of Foster's Group Limited had rights to rescind the conditional sale contracts in the event that the developments were not completed by November 2005. Formal agreements were completed between the parties during July 2006 expanding the extension of the applicable sunset dates to enable the completion of the developments over extended timetables.

Note 15 Loans and deposits – investment properties (continued)

Current and non-current asset classifications

The Narrabeen Hotel (subject to development completion) and the Parkway Hotel (subject to discussion between ALE, ALH and Foster's Group Limited) are expected to be acquired by ALE and the loans repaid by 31 December 2006. As a result the loans are classified as current assets.

The loan to the Foster's Group Limited on the remaining property, Burleigh Heads Hotel, is classified as a non-current asset due to expected development completion and acquisition by ALE after 30 June 2007.

Note 16 Plant and equipment

	Furniture, fittings and equipment $'000	Software $'000	Office fitout $'000	Total $'000
At 30 June 2004				
At cost	2	18	–	20
Accumulated depreciation	–	(4)	–	(4)
Net book value	**2**	**14**	**–**	**16**
Year ended 30 June 2005				
Opening net book value	2	14	–	16
Additions	57	25	86	168
Depreciation charge	(12)	(7)	(24)	(43)
Closing net book value	**47**	**32**	**62**	**141**
At 30 June 2005				
Cost	59	43	86	188
Accumulated depreciation	(12)	(11)	(24)	(47)
Net book value	**47**	**32**	**62**	**141**
Year ended 30 June 2006				
Opening net book value	47	32	62	141
Additions	–	29	–	29
Depreciation charge	(13)	(25)	(31)	(69)
Closing net book value	**34**	**36**	**31**	**101**
As at 30 June 2006				
Cost	59	72	85	216
Accumulated depreciation	(25)	(36)	(54)	(115)
Net book value	**34**	**36**	**31**	**101**

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Note 17 Investment in controlled entities				
Unlisted units in controlled trust				
– Sub-Trust	–	–	210,943	210,943
	–	**–**	**210,943**	**210,943**
The Trust owns 100% of the issued units of the Sub-Trust (note 35 contains further information).				
Note 18 Payables				
Trade creditors	254	44	–	–
Interest accrued on CMBS	1,355	3,046	–	–
Interest accrued on CIBs	492	–	–	–
Interest accrued on ALE Notes	2,747	2,747	2,747	2,747
Other accruals	2,751	1,126	26	23
	7,599	**6,963**	**2,773**	**2,770**

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Note 19 Provisions and other liabilities				
(a) Provisions				
Provision for distribution	8,354	5,994	8,354	5,994
Provision for annual leave	46	22	–	–
Provision for superannuation	15	10	–	–
	8,415	**6,026**	**8,354**	**5,994**
(b) Current liabilities – other				
Unearned rental income for the month of July 2006 received in June 2006	3,905	–	–	–
GST on unearned rental income for the month of July 2006 received in June 2006	391	–	–	–
Unearned interest income for July 2006	31	39	–	–
Other	–	302	–	302
	4,327	**341**	**–**	**302**
Note 20 Borrowings				
CMBS – opening balance	330,000	330,000	–	–
CMBS – issued February 2006 (Berwick acquisition)	15,000	–	–	–
CMBS pre May 2006 – prepaid	(345,000)	–	–	–
CMBS May 2006 – issued	225,000	–	–	–
Closing CMBS	**225,000**	**330,000**	**–**	**–**
CMBS pre May 2006 – borrowing costs	(17,280)	–	–	–
CMBS pre May 2006 – amortised borrowing costs	17,280	–	–	–
CMBS pre May 2006 – unamortised costs	**–**	**–**	**–**	**–**
CMBS May 2006 – prepaid borrowing costs	(1,128)	–	–	–
CMBS May 2006 – amortised borrowing costs	3	–	–	–
CMBS May 2006 – unamortised costs	**(1,125)**	**–**	**–**	**–**
CIBs – issued May 2006	125,873	–	–	–
Capitalised interest	527	–	–	–
Closing CIBs	**126,400**	**–**	**–**	**–**
Prepaid CIBs borrowing costs	(768)	–	–	–
Amortised CIBs borrowing costs	19	–	–	–
CIBs – unamortised costs	**(749)**	**–**	**–**	**–**
ALE Notes on issue	**150,000**	**150,000**	**150,000**	**150,000**
ALE Notes – prepaid borrowing costs	(11,520)	–	(11,520)	–
ALE Notes – amortised borrowing costs	3,037	–	3,037	–
ALE Notes – unamortised costs	**(8,483)**	**–**	**(8,483)**	**–**
ALE Notes premium	**1,022**	**783**	**1,022**	**783**
	492,065	**480,783**	**142,539**	**150,783**
Comprising (from above):				
CMBS on issue	225,000	330,000	–	–
CIBs on issue	125,873	–	–	–
CIBs capitalised interest	527	–	–	–
ALE Notes on issue	150,000	150,000	150,000	150,000
ALE Notes premium	1,022	783	1,022	783
CMBS May 2006 – unamortised costs	(1,125)	–	–	–
CIBs – unamortised costs	(749)	–	–	–
ALE Notes – unamortised costs	(8,483)	–	(8,483)	–
	492,065	**480,783**	**142,539**	**150,783**

Note 20 Borrowings (continued)

From 1 July 2005 ALE adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. This has resulted in all capitalised borrowing costs being disclosed as a reduction in borrowings; previously these costs were disclosed as prepaid capitalised borrowing costs.

CMBS borrowings of $330 million at 30 June 2005 were increased to $345 million during February 2006 in order to fund the acquisition of the Berwick Inn, Victoria (purchase price $15.0 million). The $345 million of CMBS borrowings were refinanced during May 2006 with $225 million of new CMBS and $125.9 million of CIBs.

A 3.40% p.a. (including credit margin) fixed rate of interest applies to the CIBs and is payable quarterly with the outstanding balance of the CIBs escalating periodically in line with the relevant consumer price index. The amount of the escalation is referred to as capitalised interest and is not payable until maturity of the CIBs.

The CMBS and CIBs borrowings are secured by, among other things, first ranking real property mortgages over all but four of the investment properties. The CMBS and CIBs have scheduled maturity dates of 20 May 2011 and 20 November 2023 respectively. The ALE Notes were issued on 7 November 2003 with an expected maturity date of 30 September 2011. A 2.5% redemption premium of $3.75 million is payable on the expected maturity date.

ALE's $225 million of CMBS variable interest rate exposure of is fully hedged (100% fixed) up until November 2009. This has been achieved by the use of variable rate borrowings swapped to fixed rates by using interest rate swaps.

At 30 June 2006, the notional principal amounts and periods of expiry of the interest rate derivative contracts are as follows:

			Consolidated 2006 $'000
Expiry periods			
Less than 1 year			–
1-3 years	$50 million on 20-Nov-08 $50 million on 20-May-09 ($50 million) on 20-May-09	(a)	50,000
3-4 years	$50 million on 20-Nov-09 ($20 million) on 20-Nov-09 $50 million on 20-May-10		80,000
4-5 years	$30 million on 20-Nov-10		30,000
6-7 years	$15 million on 20-Nov-12 $50 million on 20-Nov-12	(b)	65,000
7-8 years	$50 million on 20-Nov-13	(b)	50,000
	Total expiries		**275,000**
	($50 million) forward rate commences 20-Nov-08 $100 million forward rate commences 20-Nov-08	(a) (b)	(50,000)
	Expiries excluding derivatives yet to commence		**225,000**

ALE's weighted average interest rate on all borrowings and interest rate swaps as at 30 June 2006 was 6.034% (2005: 6.524%).

Note 20 Borrowings (continued)

Assets pledged as securities

The ALE Notes are unsecured. The carrying amounts of assets pledged as security for CMBS and CIBs borrowings are:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000
Current assets		
Cash reserve	5,500	5,500
Non-current assets		
Total investment properties	695,470	625,000
Less: Properties not subject to mortgages		
Imperial Hotel, Beenleigh, QLD	(3,200)	(2,900)
Petrie Hotel, Petrie, QLD	(2,150)	(1,900)
Woree Tavern, Cairns, QLD	(1,250)	(1,100)
Wanneroo Villa Tavern, Wanneroo, WA	(1,350)	(1,300)
Properties subject to first mortgages	**687,520**	**617,800**
Total assets	**693,020**	**623,300**

In the unlikely event of a default by ALE's tenant, Australian Leisure and Hospitality Group Limited (ALH), if the assets pledged as security are insufficient to fully repay CMBS and CIBs borrowings, the CMBS and CIBs holders are also entitled to recover the amount unpaid from the business assets of ALH.

Note 21 Deferred tax asset

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivative – interest rate swaps	71	–	–	–
Employee benefits	19	10	–	–
Acquisition proposal due diligence	381	–	–	–
CIBs amortisation	28	–	–	–
Other accruals	79	77		
Other provisions	–	12	–	–
Net deferred tax assets	**578**	**99**	**–**	**–**
Movements:				
Opening balance at 1 July 2005	99	50	–	–
Change on adoption of AASB 132 and AASB 139	266	–	–	–
Credited/(charged) to the income statement (note 9)	213	49	–	–
Credited/(charged) to equity	–	–	–	–
Closing balance at 30 June 2006	578	99	–	–
Deferred tax assets to be recovered within 12 months	196	99	–	–
Deferred tax assets to be recovered after more than 12 months	382	–	–	–
	578	**99**	**–**	**–**

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Note 22 Deferred tax liability				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivative – interest rate swaps	1,575	–	–	–
Interest income earned but not received	15	–	–	–
CIBs interest amortisation	47	–	–	–
CIBs and CMBS amortisation of costs	10			
Prepaid expense	1	–	–	–
Net deferred tax liability	**1,648**	**–**	**–**	**–**
Movements:				
Opening balance at 1 July 2005	–	–	–	–
Change on adoption of AASB 132 and AASB 139	–	–	–	–
Charged/(credited) to income statement (note 9)	1,648	–	–	–
Charged/(credited) to equity	–	–	–	–
Acquisition of subsidiary	–	–	–	–
Closing balance at 30 June 2006	1,648	–	–	–
Deferred tax liabilities to be recovered after more than 12 months	16	–	–	–
Deferred tax liabilities to be recovered within 12 months	1,632	–	–	–
	1,648	**–**	**–**	**–**
Note 23 Contributed equity				
Balance at the beginning of the year	81,787	88,010	81,787	88,010
Transfer (to) distribution to stapled security holders	–	(6,223)	–	(6,223)
	81,787	**81,787**	**81,787**	**81,787**

The Trust issued 9,080,010 of no income voting units (NIVUS) to the Company fully paid at $1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of $1.00, carry no rights to income from the Trust and entitle the holder to no more than $1.00 per NIVUS upon the winding up of the Trust. The Company has a voting power of 9.09% in the Trust as a result of the issue of NIVUS.

Movements in the number of fully paid stapled securities during the period were as follows:

	Number of securities	Number of securities	Number of securities	Number of securities
Stapled securities on issue:				
Balance at the beginning of the year	90,800,100	90,800,100	90,800,100	90,800,100
Issue of securities	–	–	–	–
Balance at the end of the year	**90,800,100**	**90,800,100**	**90,800,100**	**90,800,100**

Stapled securities

Fully paid ALE stapled securities were issued at $1.00 per stapled security. Each stapled security comprises one share in the Company and one unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on any winding up of ALE in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a poll each ordinary shareholder is entitled to one vote for each fully paid share and each unitholder is entitled to one vote for each fully paid unit.

	Note	CONSOLIDATED 2006 $'000 Number of securities	CONSOLIDATED 2005 $'000 Number of securities	PARENT ENTITY 2006 $'000 Number of securities	PARENT ENTITY 2005 $'000 Number of securities
Note 24 Retained profits/(loss)					
Balance at the beginning of the year		115,012	40,336	–	–
Adjustment on adoption of AASB 132 and AASB 139	26	4,544	–	4,416	–
Deferred tax asset recognised on adoption of AASB 132 and AASB 139		266	–	–	–
Profit attributable to stapled security holders of ALE		52,207	80,121	10,721	5,445
Transfer from contributed equity		–	6,223	–	6,223
Total available for appropriation		172,029	126,680	15,137	11,668
Distributions provided for or paid during the year		(14,528)	(11,668)	(14,528)	(11,668)
Balance at the end of the year		**157,501**	**115,012**	**609**	**–**

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Retained earnings balance at the end of the year is comprised of the following amounts:					
Fair value adjustments – investment properties (non-cash)	(a)	165,515	115,259	–	–
Fair value adjustments to derivatives (non-cash)	(a)	5,021	–	88	–
Transfer from contributed equity		6,223	6,223	6,223	6,223
Amortised costs – pre May 2006 CMBS (non-cash)	(b)	(17,280)	(3,461)	–	–
Amortised costs – ALE Notes (non cash)	(b)	(3,037)	(2,308)	(3,037)	(2,308)
Amortised costs – May 2006 CMBS (non-cash)		(19)	–	–	–
Accrued ALE Notes premium (non-cash)	(c)	(1,022)	(783)	(1,022)	(783)
CIBs capitalised interest (non-cash)		(527)	–	–	–
Income tax (expense)/benefit (non-cash)		(1,428)	49	–	–
Other		4,055	33	(1,643)	(3,132)
		157,501	**115,012**	**609**	**–**

(a) Unrealised fair value gains have not been distributed.

(b) Borrowing costs that were funded in November 2003 by the issue of ALE stapled securities.

(c) ALE Notes premium payable in on ALE Notes termination (scheduled September 2011).

Note 25 Reserve					
Balance at the beginning of the year		13	5	–	–
Employee share option expense		8	8	–	–
		21	**13**	**–**	**–**

Options over unissued stapled securities of ALE were granted during a previous 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 employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable until 10 November 2007, unless ALE is subject to a takeover, in which case the period of exercise would be reduced to 11 February 2007. When exercised each option is converted to one ordinary unit and one ordinary share.

The options value disclosed above as part of key management 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 and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Note 26 Adjustment on adoption of AASB 132 and AASB 139 to retained profits

Reconciliation of the AIFRS adjustment, being an increase of $4,544,000 to opening retained profits on 1 July 2005, as disclosed in the consolidated statements of changes in equity.

	CONSOLIDATED		
Expenses/(benefits)	AIFRS income/ (expenses) to 30 June 2005 $'000	AGAAP income/ (expenses) to 30 June 2005 $'000	Increase to retained profits 1 July 2005 $'000
Derivatives interest rate swaps – net asset	1,373	–	1,373
CMBS pre May 2006 – amortised borrowing costs	(4,651)	(5,665)	1,014
ALE Notes – amortised borrowing costs	(1,810)	(3,796)	1,986
ALE Notes premium	(612)	(783)	171
	(5,700)	(10,244)	4,544

Note 27 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement

ALE has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005 and has not restated any comparative period figures for the resulting adjustments. The adjustments have instead been taken directly to retained earnings as at 1 July 2005.

(a) Interest rate derivatives

Potential variability in future distributions arise predominantly from financial assets and liabilities bearing variable interest rates. For example, if financial liabilities exceed financial assets and interest rates rise, to the extent that interest rate derivatives (swaps) are not available to fully hedge the exposure, distribution levels would be expected to decline from the levels that they would otherwise have been.

ALE also has long-term leased property assets and fixed interest rate liabillities that are currently intended to be held until maturity. The market value of these assets and liabilities are also expected to change as long-term interest rates fluctuate. For example, as long-term interest rates rise the market value of both property assets and fixed interest rate liabilities may fall (all other market variables remaining unchanged). These movements in property assets and fixed interest rate liabillities impact upon the net equity value of ALE.

The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in derivatives – interest rate swaps. The contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying CMBS and CIBs debt.

(b) Interest rate risk

ALE's exposure to the interest rate risk and the effective weighted interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from liabilities bearing variable interest rates as the consolidated entity intends to hold fixed assets and liabilities to maturity.

			FIXED INTEREST MATURING IN				
	Note	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2006							
Financial assets							
Cash and cash equivalents	11	4,783	24,209	–	–	–	28,992
Receivables	12	–	–	–	–	1,012	1,012
Loans to Foster's Group Limited	15	–	13,662	5,914	–	–	19,576
		4,783	**37,871**	**5,914**	**–**	**1,012**	**49,580**
Weighted average interest rate		5.65%	7.06%	11.53%	–	–	7.31%
Financial liabilities							
Payables	18	–	–	–	–	7,599	7,599
Borrowings – ALE Notes	20	–	–	–	150,000	–	150,000
Borrowings – CMBS	20	225,000	–	–	–	–	225,000
Borrowings – CIBs	20	–	–	–	126,400	–	126,400
Derivatives – interest rate swaps	20	(225,000)	–	110,000	115,000	–	–
		–	**–**	**110,000**	**391,400**	**7,599**	**508,999**
Weighted average interest rate		–	–	6.04%	4.64%	–	4.87%
Net financial assets/(liabilities)		**4,783**	**37,871**	**(104,086)**	**(391,400)**	**(6,587)**	**(459,419)**

Note 27 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement (continued)

(b) Interest rate risk (continued)

	Note	Floating interest rate $'000	FIXED INTEREST MATURING IN 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2005							
Financial assets							
Cash	11	202	19,275	–	–	–	19,477
Receivables	12	–	–	–	–	371	371
Loans to Foster's Group Limited	15	–	11,746	11,663	–	–	23,409
		202	**31,021**	**11,663**	**–**	**371**	**43,257**
Weighted average interest rate		5.15%	7.11%	9.59%	–	–	7.71%
Financial liabilities							
Payables	18	–	–	–	–	7,016	7,016
Borrowings – ALE Notes	20	–	–	–	150,000	–	150,000
Borrowings – CMBS	20	230,000	–	100,000	–	–	330,000
Derivatives – interest rate swaps	20	(230,000)	–	200,000	30,000	–	–
		–	**–**	**300,000**	**180,000**	**7,016**	**487,016**
Weighted average interest rate		–	–	6.19%	6.79%	–	6.43%
Net financial assets/(liabilities)		**202**	**31,021**	**(288,337)**	**(180,000)**	**(6,645)**	**(443,759)**

(c) Credit risk

The major credit risk is the risk that the tenant will fail to perform its contractual obligations including honouring the terms of the lease agreements either in whole or in part. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the tenant has appropriate financial standing and by the various security arrangements that are in place.

A secondary credit risk exists in respect of the loans to Foster's Group Limited made by ALE under the conditional sale contracts of properties under development. Credit risk has been minimised primarily by ensuring, on a continuous basis, that Foster's Group Limited has appropriate financial standing and by the various security arrangements that are in place.

The credit risk on financial assets of ALE which have been recognised in the consolidated balance sheet is generally the carrying amount net of any provision for doubtful debts.

(d) Liquidity and cash flow risk

Liquidity risk is the risk that ALE will experience difficulty in either realising or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate from the expected. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk by monitoring and planning for significant exposures to large creditors and ensuring counterparties have appropriate financial standing.

In order to have the CMBS and CIBs rated, ALE has put in place a liquidity facility equal to approximately six months debt service of the CMBS and CIBs.

(e) Market risk

Market risk is the risk that the value of ALE's investment properties will fluctuate as a result of changes in market prices. To the extent controllable, this risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk analysis is conducted regularly on a total portfolio basis.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

Note 28 Reconciliation of profit after income tax to net cash inflows from operating activities

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Profit/(loss) for the year	52,207	80,121	10,721	5,445
Fair value adjustment to investment property	(50,256)	(74,800)	–	–
Fair value adjustment to derivative financial instruments	(7,028)	–	(77)	–
Fair value adjustment to derivative financial instruments – swap interest	3,406	–	2,248	–
Finance costs amortisation – May 2006 refinance write off	9,840	–	–	–
Finance costs amortisation	4,973	5,769	1,227	2,307
Income tax expense/(benefit)	1,428	(49)	–	–
Employee share options	8	8	–	–
Depreciation	68	48	–	(88)
(Increase) in receivables	(719)	(61)	(100)	–
(Increase) in loan to related party	–	–	(13,833)	(8,890)
(Increase)/decrease in other assets	(16)	210	–	185
Increase/(decrease) in payables	611	(2,685)	3	1,163
Increase in provisions	29	–	–	–
Increase/(decrease) in other liabilities	3,970	479	107	(168)
Net cash inflow/(outflow) from operating activities	**18,521**	**9,040**	**296**	**(46)**

Note 29 Key management personnel disclosures

(a) Directors

The following persons were directors of ALE Property Group comprising Australian Leisure and Entertainment Property Trust and its controlled entities during the financial year:

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

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of ALE, directly or indirectly, during the year.

Name	Type	Appointed
A J Slade	Investment and Acquisitions Manager	18 July 2005
D S Barkas	Group Financial Controller	29 January 2004
B R Howell	Company Secretary and Compliance Officer	26 September 2003

(c) Compensation for key management personnel

The following table sets out the compensation for key management personnel in aggregate. Refer to the remuneration report in the directors' report for details of the remuneration policy and compensation details by individual.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000
Short-term employee benefits	1,081,304	817,848
Post employment benefits	49,843	41,231
Share based payments	7,993	7,993
	1,139,140	**867,072**

Note 29 Key management personnel disclosures (continued)

ALE has taken advantage of the relief provided by Corporations Regulation CR2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 30 to 33.

The table sets out the equity holdings for key management personnel in aggregate.

Name	Role	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
P H Warne	Non-executive Director	453,400	196,600	650,000
J P Henderson	Non-executivec Director	40,000	15,000	55,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	51,998	16,002	68,000
D S Barkas	Group Financial Controller	46,810	1,517	48,327
A J Slade	Investment and Acquisitions Manager	–	12,000	12,000

The following director currently holds options over the stapled securities of ALE:

Name	Role	Number held at the start of the year	Purchases / (sales)	Number held at 30 June 2006
A F O Wilkinson	Executive Director	300,000	–	300,000

Note 30 Remuneration of Auditors

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of the financial reports of ALE				
and other audit work under the Corporations Act 2001				
– in relation to current year	135,400	125,705	–	–
– in relation to prior year	1,500	60,000	–	–
Total remuneration for audit services	**136,900**	**185,705**	**–**	**–**
Other assurance services				
PricewaterhouseCoopers Australian firm:				
General accounting advice (including AIFRS)	26,173	29,944	–	–
Due diligence services	142,250	31,300	–	–
Controls assurance services	9,000	7,000	–	–
Total remuneration for other assurance services	**177,423**	**68,244**	**–**	**–**
Total remuneration for assurance services	**314,323**	**253,949**	**–**	**–**
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	9,000	15,000	–	–
Due diligence services	223,000	–	–	–
Tax consulting services	25,135	24,190	–	–
Total taxation services	**257,135**	**39,190**	**–**	**–**

Note 31 Related party transactions

(a) Parent entity, subsidiaries and associates
Details are set out in note 35.

(b) Key management personnel
Key management personnel and their compensation is set out in note 29.

(c) Transactions with related parties
For the year ended 30 June 2006 the Company had charged the Trust $2,276,000 in management fees (2005: $2,185,000) and the Finance Company had charged the Sub-Trust $20,642,000 in interest (2005: $20,949,000).

Note 31 Related party transactions (continued)

(c) Transactions with related parties (continued)
Peter Warne is a director of Next Financial Limited ("Next"), which is a private investment manager which operates accounts on behalf of investors. All of Next's investment securities are held by Fortis Clearing Sydney Pty Ltd ("Fortis") as custodian for clients. Fortis held 4,254,837 stapled securities of ALE as at 30 June 2006 (2005: 4,400,314). Mr Warne does not make any investment decisions as part of his role at Next which relate to securities in ALE.

ALE has entered into two associate motor vehicle leases with the spouse of Darren Barkas. The leases commenced on 15 March 2005; as at 30 June 2006 payments under the leases totalled to $5,000 (2005: $2,000).

(d) Terms and conditions
All related party transactions are conducted on normal commercial terms and conditions.

Outstanding balances are unsecured and are repayable in cash and callable on demand.

Note 32 Commitments

(a) Capital commitments
Other than amounts required under the conditional sale contracts to acquire properties under development (these amounts are fully represented in investment property deposits and loans in note 15), the directors are not aware of any capital commitments as at the date of this report.

(b) Lease commitments
ALE has entered into a non-cancellable operating lease for its office premises at Level 8, 15-19 Bent Street, Sydney. The minimum net lease commitments under this lease are:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	74	71	–	–
Later than one year but not later than five years	4	74	–	–
Later than five years	–	4	–	–
	78	**149**	**–**	**–**

Note 33 Earnings per stapled security

	Cents	Cents	Cents	Cents
Basic and diluted earnings per ALE stapled security	57.50	88.24	11.81	6.00

	Number of stapled securities	Number of stapled securities	Number of stapled securities	Number of stapled securities
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security	90,800,100	90,800,100	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	90,800,100	90,800,100

Note 34 Contingent liabilities and contingent assets

Put and call option
For all of the investment properties, at the end of the initial lease term of 25 years (2028 for most of the portfolio), and at the end of each further term (four 10 year terms), there is a call option for the landlord (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence is to be included or excluded at the tenant's option. These assets are to be purchased at current value as determined by the valuation methodology set out in the lease. The landlord must pay the purchase price on expiry of the lease.

Bank guarantee
The Company has entered into a bank guarantee of $23,834 in respect of its office tenancy at Level 8, 15-19 Bent Street, Sydney. This guarantee may give rise to a liability if the Company does not meet its obligations under the terms of the lease.

Note 35 Investments in controlled entities

The Trust owns 100% of the issued equity of the Sub-Trust. The Sub-Trust owns 100% of the issued equity of the Finance Company. The Trust owns none of the issued equity of the Company, but is deemed to be its "acquirer" under AIFRS.

Note 36 Segment information

Business segment

ALE operates solely in the property investment and property funds management industry and has no business segmentation.

Geographical segment

ALE owns property solely within Australia.

Note 37 Events occurring after reporting date

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

Note 38 Explanation of transition to Australian equivalents to IFRS

There was no difference between profit and equity under previous Australian Generally Accepted Accounting Principles (AGAAP) for the Trust (parent entity).

(1) Reconciliation of ALE (consolidated) profit under previous AGAAP to profit under Australian equivalents to IFRS (AIFRS) for the year ended 30 June 2005

	Note	Consolidated 30 June 2005 previous AGAAP $'000	Consolidated 30 June 2005 effect of transition to AIFRS $'000	Consolidated 30 June 2005 AIFRS $'000
Revenue				
Property rental income and loan interest		45,996	–	45,996
Revaluation of investment properties	(a)	–	74,800	74,800
Interest income		1,175	–	1,175
Total revenue		**47,171**	**74,800**	**121,971**
Expenses				
Borrowing costs excluding amortisation		31,524	–	31,524
Borrowing costs (non-cash) amortisation		6,247	–	6,247
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		**41,891**	**8**	**41,899**
Profit before tax		**5,280**	**74,792**	**80,072**
Income tax (benefit)		(49)	–	(49)
Profit after tax		**5,329**	**74,792**	**80,121**

Note 38 Explanation of transition to Australian equivalents to IFRS (continued)

(2) Reconciliation of ALE (consolidated) equity reported under previous AGAAP to equity under AIFRS as at the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated 30 June 2005 previous AGAAP $'000	Consolidated 30 June 2005 effect of transition to AIFRS $'000	Consolidated 30 June 2005 AIFRS $'000
Current assets				
Cash and cash equivalents		19,477	–	19,477
Receivables		371	–	371
Prepayments and other assets		5,793	–	5,793
Investment properties – loans and deposits		11,746	–	11,746
Total current assets		**37,387**	**–**	**37,387**
Non-current assets				
Property investments		625,000	–	625,000
Development properties – loans, deposits and costs		14,713	–	14,713
Prepayments and other assets		13,585	–	13,585
Plant and equipment		141	–	141
Deferred tax asset		99	–	99
Total non-current assets		**653,538**	**–**	**653,538**
Total assets		**690,925**	**–**	**690,925**
Current liabilities				
Payables		7,002	–	7,002
Provisions		6,026	–	6,026
Other		302	–	302
Total current liabilities		**13,330**	**–**	**13,330**
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		**494,113**	**–**	**494,113**
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
Retained profits		(234)	115,246	115,012
Total equity		**196,812**	**–**	**196,812**
Net assets per stapled security		**$2.17**	**–**	**$2.17**

Note 38 Explanation of transition to Australian equivalents to IFRS (continued)

(3) Reconciliation of ALE (consolidated) equity reported under previous AGAAP to equity under AIFRS under previous AGAAP: 30 June 2004 as at the date of transition 1 July 2004

	Note	1 July 2004 previous AGAAP $'000	1 July 2004 effect of transition to AIFRS $'000	1 July 2004 AIFRS $'000
Current assets				
Cash		23,090	–	23,090
Receivables		325	–	325
Prepayments and other assets		6,018	–	6,018
Development property loans		11,746	–	11,746
Total current assets		**41,179**	**–**	**41,179**
Non-current assets				
Property investments		550,200	–	550,200
Development properties – loans, deposits and costs		14,713	–	14,713
Prepayments and other assets		19,344	–	19,344
Plant and equipment		16	–	16
Deferred tax asset		59	–	59
Total non-current assets		**584,332**	**–**	**584,332**
Total assets		**625,511**	**–**	**625,511**
Current liabilities				
Payables		9,694	–	9,694
Provisions		6,845	–	6,845
Other		309	–	309
Total current liabilities		**16,848**	**–**	**16,848**
Non-current liabilities				
Interest bearing liabilities – CMBS		330,000	–	330,000
Interest bearing liabilities – ALE Notes		150,000	–	150,000
ALE Notes premium		304	–	304
Deferred tax liability		8	–	8
Total non-current liabilities		**480,312**	**–**	**480,312**
Total liabilities		**497,160**	**–**	**497,160**
Net assets		**128,351**	**–**	**128,351**
Equity				
Contributed equity		88,010	–	88,010
Asset revaluation reserve	(a)	40,459	(40,459)	–
Share based payments reserve	(b)	–	5	5
Retained profits		(118)	40,454	40,336
Total equity		**128,351**	**–**	**128,351**
Net assets per stapled security		**$1.41**	**–**	**$1.41**

Note 38 Explanation of transition to Australian equivalents to IFRS (continued)

(4) Reconciliation of cash flow statement for the year ended 30 June 2005
The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(5) Notes to the reconciliations

(a) Investment property
Under previous AGAAP, ALE recognised valuation increments and decrements on investment property in the asset revaluation reserve. Under AASB 140 Investment Property, all movements in investment property are recognised directly in the consolidated income statement.

As a result, the net increase in the fair value of the investment properties of $74,800,000 for the 12 months ended 30 June 2005 has been recognised directly in the consolidated income statement.

At the date of transition on 1 July 2004 the effect of AASB 140 Investment Property on the combined balance sheet was to reduce the asset revaluation reserve by $40,459,000 (i.e. to zero) and increase opening retained earnings by $40,459,000. The effect at 31 December 2004 and 30 June 2005 was $40,459,000 and $115,259,000 respectively with the asset revaluation being reduced to zero in both cases.

There was no effect on total equity.

(b) Equity based compensation benefits
Under previous AGAAP, ALE recognised no expense for options granted over unissued stapled securities to the managing director for nil monetary consideration. Under AASB 2 Share-based Payment, ALE 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.

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.

As a result, expenses for the half year ended 31 December 2004 of $4,029 and for the full year ended 30 June 2005 of $7,992 have been recognised directly in the combined income statement.

At the date of transition on 1 July 2004 the effect of AASB 2 Share-based Payment on the combined balance sheet was to reduce the retained profits by $5,124 and increase the opening share based payments reserve by $5,124. The effect at 31 December 2004 and 30 June 2005 was $9,153 and $13,117 respectively.

In the directors' opinion:

(a) the financial statements and notes set out on pages 36 to 69 are in accordance with the Corporations Act 2001, including:
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) The actual remuneration disclosures set out on pages 30 to 33 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the Managing Director and the Group Financial Controller 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 29th day of August 2006

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Independent audit report to the stapled security holders of ALE Property Group

Matters relating to the electronic presentation of the audited financial report
This audit report relates to the financial report and remuneration disclosures of ALE Property Group for the financial year ended 30 June 2006 included on ALE Property Group's web site. The directors of Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) 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 and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. 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 and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion
In our opinion:

1. the financial report of ALE Property Group:

– gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Australian Leisure and Entertainment Property Group as at 30 June 2006, and of their performance for the year ended on that date, and

– is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and

2. the remuneration report contained in pages 30 to 33 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001.

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

Scope

The financial report, remunerations disclosures and directors' responsibility
The financial report comprises the balance sheets, income statements, cash flow statements, statements of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Australian Leisure and Entertainment Property Trust (the Trust) and ALE Property Group (the Group), for the year ended 30 June 2006. The consolidated entity comprises both Australian Leisure and Entertainment Property Trust and the entities that it controlled that year, including Australian Leisure and Entertainment Property Management limited and its controlled entities.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 30 to 33 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach
We conducted an independent audit in order to express an opinion to the stapled security holders of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. 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.

PricewaterhouseCoopers

Independent audit report to the stapled security holders of ALE Property Group (continued)

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Group's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

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

– examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and

– assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S Hadfield

S J Hadfield
Partner

Sydney
29 August 2006

AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED ANNUAL FINANCIAL REPORT 30 JUNE 2006

AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED

ABN 45 105 275 278

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CONTENTS

The directors of Australian Leisure and Entertainment Property Management Limited ("Company") present their report for the year ended 30 June 2006.

The registered office and principal place of business of the Company is:

Level 8
15-19 Bent Street
Sydney 2000

Directors

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

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

Principal activities

During the year the principal activities of the Company consisted of property funds management and acting as responsible entity for the Australian Leisure and Entertainment Property Trust ("Trust"). There has been no significant change in the nature of these activities during the year.

Dividends

No provisions for or payments of Company dividends have been made during the year (2005: nil).

Review of operations

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

	2006 $	2005 $
Revenue		
Management fees	2,276,395	2,185,120
Interest income	45,143	20,382
Total revenue	**2,321,538**	**2,205,502**
Other income	**600,000**	**–**
Total income	**2,921,538**	**2,205,502**
Expenses		
Salaries, fees and related costs	1,214,597	979,197
Acquisition proposal due diligence	2,188,800	177,343
Other expenses	740,963	1,189,359
Total expenses	**4,144,360**	**2,345,899**
Loss before income tax	**(1,222,822)**	**(140,397)**
Income tax (benefit)	(370,462)	(39,368)
(Loss) attributable to the shareholders of the Company	**(852,360)**	**(101,029)**
	Cents	Cents
Basic and diluted earnings per share	(0.94)	(0.11)
Dividend per share for the year	–	–
	$	$
Net assets per share	**0.09**	**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 year.

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 ALE and its value to its shareholders.

The directors are not aware of any future developments likely to significantly affect the operations and/or results of 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 two 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 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 of BTAL was acquired by Macquarie Bank Limited in 1999.

Peter is also a board member of two other listed entities being ASX 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.

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.

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 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 the Statutory and Other Offices Remuneration Tribunal for NSW and serves on the Province Management Advisory Council of the Little Company of Mary (Calvary Hospitals). Until recently Helen was a member of the Boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority and was Deputy Chair of the Australia Day Council of NSW to December 2002. 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.

Mr Andrew 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 banking, corporate finance and funds management.

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 eight 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.

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

Information on directors (continued)

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 12 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.

Company secretary

The company secretary is Mr Brendan Howell. Brendan 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 over 16 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 over seven 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.

Independent member of Audit, Compliance and Risk Management Committee (ACRMC)

Mr David Lawler B.Bus, CPA, Independent Audit Committee Member

Experience and expertise
David has 25 years experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia.

David is an audit committee member of the Australian Office of Financial Management, the Defence Materiel Organisation, Austrade, the Australian Sports Anti-Doping Authority and the Australian National University.

David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and President of the Institute of Internal Auditors – Australia.

Directorships of listed companies within the last three years

The following director held directorships of other listed entities within the last three years and from the date appointed up to the date of this report unless otherwise stated:

Director	Directorships of listed entities	Type	Appointed
P H Warne	SFE Corporation Limited [(a)]	Non-executive	October 2000
P H Warne	Australian Stock Exchange Limited	Non-executive	July 2006
P H Warne	Macquarie Capital Alliance Group	Non-executive	February 2005

(a) In July 2006, the Australian Stock Exchange Limited (ASX) and SFE Corporation Limited (SFE) merged with the SFE becoming a wholly owned subsidiary of the ASX. Peter was appointed to the board of the ASX on 25 July 2005.

Special responsibilities of directors

The following are the special responsibilities of each director:

Director	Special responsibilities
P H Warne	Chairman of the Board. Member of the Audit, Compliance and Risk Management Committee (ACRMC) (resigned as Chairman on 15 August 2005, continuing as a member). Chairman of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC (appointed Chair 15 August 2005). Member of the Remuneration Committee.
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company. Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL)
J T McNally	Responsible Officer of the Company under the Company's AFSL.

Directors' and key management personnel interests in stapled securities and options

The following directors, key management personnel and their associates held or currently hold the following stapled security interests in the Company:

Name	Role	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
P H Warne	Non-executive Director	453,400	196,600	650,000
J P Henderson	Non-executive Director	40,000	15,000	55,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	51,998	16,002	68,000
A J Slade	Investment and Acquisitions Manager	–	12,000	12,000
D S Barkas	Group Financial Controller	46,810	1,517	48,327

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

Name	Director	Number held at the start of the period	Purchases/(sales)	Number held at 30 June 2006
A F O Wilkinson	Director	300,000	–	300,000

Meetings of directors

The numbers of meetings of the Company's board of directors held and of each Board committee during the year ended 30 June 2006 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 MEETINGS	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	15	15	5	5	2	2
J P Henderson	15	15	5	5	2	2
H I Wright	15	15	5	5	2	2
A F O Wilkinson	15	15	–	–	–	–
J T McNally	15	15	–	–	–	–
Member of ACRMC						
D J Lawler	–	–	3	2	–	–

1 "Held" reflects the number of meetings which the director or member 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

The information provided under these headings includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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 creation of value for shareholders, 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 shareholders
– 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.

Remuneration report (continued)
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 the reward framework's 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 ALE over a number of periods with greater emphasis given to the current year. Over the year ended 30 June 2006 the total return on ALE's stapled securities (inclusive of distribution returns) was 39.4% (2005: 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 were set by the Board prior to listing in 2003. The Board may 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 from 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 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 shareholders. 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 Director's 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
- 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 executive pay is competitive with the market. Executive pay is also reviewed on promotion.

There is no guaranteed base pay increase in any executive contract.

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 (KPIs) 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 KPIs 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.

Remuneration report (continued)

For the year ended 30 June 2006, the KPIs link to STI plans were based on Company, individual, business and personal objectives. The KPIs 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 KPIs 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.

Long-term incentives (LTI)

A long-term incentive in the form of options over ALE stapled securities, exercisable between November 2006 and November 2007 (except if the Company is subject to takeover, then to February 2007) was provided to the Managing Director, Mr Wilkinson, in November 2003 at an issue price of $1.036.

Stapled security options granted

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

B Details of remuneration (audited)

Amount of remuneration

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed "Short-term incentives", above. All other elements of remuneration are not directly related to performance.

Table 1 Remuneration details 1 July 2005 to 30 June 2006

Details of the remuneration of the key management personnel for the year ended 30 June 2006 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	261,758	100,000	–	12,139	7,993	381,890
J T McNally	Executive Director	75,000	–	–	–		75,000
B R Howell	Company Secretary	75,000	–	–	–	–	75,000
A J Slade	Investment and Acquisitions Manager	138,831	40,000	–	11,539	–	190,370
D S Barkas	Group Financial Controller	99,803	20,000	26,600	10,477	–	156,880
		894,704	160,000	26,600	49,843	7,993	1,139,140

Table 2 Remuneration details 1 July 2004 to 30 June 2005

Details of the remuneration of the key management personnel for the year ended 30 June 2005 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	191,954	65,000	–	15,081	7,993	280,028
J T McNally	Executive Director	81,250	–	–	–		81,250
B R Howell	Company Secretary	81,250	–	–	–	–	81,250
D S Barkas	Group Financial Controller	127,282	20,000	6,800	10,462	–	164,544
		726,048	85,000	6,800	41,231	7,993	867,072

Remuneration report (continued)

Cash bonuses
For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the 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	133	–
A J Slade	100	–
D S Barkas	100	–

C Service agreements
On 10 November 2003, the Company entered into a three year service agreement with the 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.

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.

The employment contracts of Mr Barkas and Mr Slade may be terminated at one month's 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 unissued stapled securities were granted in November 2003 to Mr 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 ALE 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 and expected price volatility of the underlying share, 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 options granted	Expiry date	Issue price of stapled securities	Number under option
10-Nov-03	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 have been issued on the exercise of options, to date.

Insurance of officers
During the financial year, the Company paid a premium of $29,844 (2005: $41,766) to insure the directors and officers of the Company. The auditor of the Company is 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.

Past employment with external auditor

Mr Wilkinson, Managing Director, previously held a position as a corporate advisory partner without any audit responsibilities of ALE's external auditor, PricewaterhouseCoopers. Mr Wilkinson resigned his partnership prior to accepting the appointment as Chief Executive Officer of ALE on 24 November 2003.

Non-audit services

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

The board of directors has considered the position and in accordance with the advice received from the ACRMC 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 ACRMC 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 auditor's 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.

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

	2006 $	2005 $
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of the financial reports of the ALE Property Group and other audit work required under the Corporations Act 2001		
– in relation to current year	135,400	125,750
– in relation to prior year	1,500	60,000
Total remuneration for audit services	**136,900**	**185,750**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	26,173	29,944
Due diligence – acquisitions not proceeding	142,250	31,300
Assurance services – internal control review	9,000	7,000
Total remuneration for other assurance services	**177,423**	**68,244**
Total remuneration for assurance services	**314,323**	**253,994**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	9,000	15,000
Due diligence services	223,000	–
Tax consulting services	25,135	24,190
Total taxation services	**257,135**	**39,190**

Includes amounts allocated to the Company of $314,323 for assurance services (2005: $253,994) and $257,135 for taxation services (2005: $39,190).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 82.

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

P Warne
Director

Sydney

Dated this 29th day of August 2006

PricewaterhouseCoopers

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Auditor's Independence Declaration

As lead auditor for the audit of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2006, 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.

SJ Hadfield

S J Hadfield
Partner

PricewaterhouseCoopers

Sydney
29 August 2006

Liability is limited by a scheme approved under Professional Standards Legislation.

	Note	2006 $	2005 $
Revenue			
Management fees	2	2,276,395	2,185,120
Interest income		45,143	20,382
Total revenue		**2,321,538**	**2,205,502**
Other income	3	600,000	–
Total income		**2,921,538**	**2,205,502**
Salaries, fees and related costs		1,214,597	979,197
Insurance		85,285	111,557
Accounting services		69,028	64,762
Taxation services		30,535	68,277
Corporate advisory services		(28,521)	140,603
Auditors' remuneration	4	136,900	185,750
Registry fees		66,513	62,131
Legal fees		57,973	143,013
Occupancy costs		104,116	91,622
Depreciation expense – plant and equipment		37,387	22,248
Travel and accommodation		32,160	27,068
Acquisition proposal due diligence	3	2,188,800	177,343
Other expenses		149,587	272,328
Total expenses		**4,144,360**	**2,345,899**
(Loss) before income tax		**(1,222,822)**	**(140,397)**
Income tax (benefit)	5	(370,462)	(39,368)
(Loss) after income tax		**(852,360)**	**(101,029)**
(Loss) attributable to the shareholders of the Company		**(852,360)**	**(101,029)**

	Cents	Cents
Basic and diluted earnings/(loss) per share	(0.94)	(0.11)
Dividends paid and payable per share	–	–

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

	Note	2006 $	2005 $
Current assets			
Cash and cash equivalents	7	483,114	156,682
Receivables	8	851,028	186,087
Prepayments and other assets		38,279	31,275
Total current assets		**1,372,421**	**374,044**
Non-current assets			
Plant and equipment	6	102,354	140,636
Investment in related party	9	9,080,010	9,080,010
Deferred tax asset	10	472,153	97,936
Total non-current assets		**9,654,517**	**9,318,582**
Total assets		**11,026,938**	**9,692,626**
Current liabilities			
Payables	11	2,258,234	460,501
Provisions	12	61,174	33,279
Loan from related party	13	699,144	349,847
Current tax liability	5	1,918	–
Total current liabilities		**3,020,470**	**843,627**
Non-current liabilities			
Deferred tax liability	14	1,837	–
Total non-current liabilities		**1,837**	**–**
Total liabilities		**3,022,307**	**843,627**
Net assets		**8,004,631**	**8,848,999**
Equity			
Contributed equity	15	9,080,010	9,080,010
Retained profits/(loss)	16	(1,096,488)	(244,128)
Reserves	17	21,109	13,117
Total equity		**8,004,631**	**8,848,999**
Net assets per share		**0.09**	**0.10**

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

	2006 $	2005 $
Total equity at the beginning of the year	**8,848,999**	**8,942,035**
Profit/(Loss) for the year	(852,360)	(101,029)
Total recognised income and expenses for the year	**(852,360)**	**(101,029)**
Transactions with equity holders in their capacity as equity holders:		
Employee share options	7,992	7,993
Total transactions with equity holders in their capacity as equity holders	**7,992**	**7,993**
Total equity at the end of the year	**8,004,631**	**8,848,999**

Total recognised income and expense for the year is attributable to members of the Company.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Other revenue (management fee and expense recovery)		10,172,856	9,159,166
Payments to suppliers and employees		(9,856,116)	(8,961,779)
Interest received – bank deposits and investment arrangements		38,397	19,858
Net cash inflow from operating activities	21	**355,137**	**217,245**
Cash flows from investing activities			
Payments for plant and equipment		(28,705)	(168,033)
Net cash (outflow) from investing activities		**(28,705)**	**(168,033)**
Net increase in cash and cash equivalents held		**326,432**	**49,212**
Cash and cash equivalents at the beginning of the year		156,682	107,470
Cash and cash equivalents at the end of the year	7	**483,114**	**156,682**

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

Note 1 Summary of significant accounting policies

This general purpose financial report for the year ended 30 June 2006 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

This annual financial report is the first Company annual financial report to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing the financial statements.

The financial statements of the Company up until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Company annual financial statement for the year ended 30 June 2006, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Company's equity and its net profit are given in note 27 to the year end financial report.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

(b) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash at bank, deposits at call and short-term money market securities which are readily convertible to cash.

(c) Receivables

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that all amounts due may not be collected according to the original terms of the receivables. The amount of any provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(d) Plant and equipment

Plant and equipment including office fixtures, fittings and operating equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to its acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation on depreciable plant and equipment (office fixtures, fittings and operating equipment) is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful life of depreciable plant and equipment is as follows:

Furniture, fittings and equipment	4 – 13 years
Software	3 years
Leasehold improvements	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(e) Investments and financial assets

Financial assets classified as loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise when money and services are provided to a debtor with no intention of selling the receivable.

Loans and deposits are carried at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial asset are spread over its effective life.

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid at the balance sheet date. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1 Summary of significant accounting policies (continued)

(g) Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(h) Dividends
Provision is made for the amount of any dividends declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the balance date.

(i) Earnings per stapled security

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares outstanding during the reporting period.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

(j) Contributed equity
Ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new units, shares or options are shown in contributed equity as a deduction, net of tax, from the proceeds.

(k) Revenue
Management fee income is brought to account on an accruals basis, and if not received at balance date is reflected in the balance sheet as a receivable.

(l) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(m) Expenses
Expenses including operating expenses and other outgoings are brought to account on an accruals basis and, if not paid at balance date, are reflected in the balance sheet as payables.

(n) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as a current liability in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised as an expense when the leave is taken and measured at the rates paid or payable.

(ii) Share based payments after 7 November 2002 and vested after 1 January 2005
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account 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 and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to contributed equity.

(iii) Bonus plans
Liabilities and expenses for bonuses are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Long service leave
The Company will begin to recognise liabilities for long service leave when employees reach a qualifying period of continuous service. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with the terms to maturity and currency that match, as closely as possible, the estimated future cash flow.

Note 1 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(v) Retirement benefit obligations

The Company pays fixed contributions to employees' funds and the Company's legal or constructive obligations are limited to these contributions. The contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(o) Income tax

The income tax expense or revenue for the reporting period is the tax payable on the current reporting period's taxable income based on the Australian company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax balances are calculated using the balance sheet method. Under this method, temporary differences arise between the carrying amount of assets and liabilities in the financial statements and the tax bases for the corresponding assets and liabilities. However, an exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Similarly, no deferred tax asset or liability is recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled.

Deferred tax assets are recognised for temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(q) New accounting standards and UIG interpretation

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Company has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Company will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Company's current arrangements.

(ii) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

(r) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(s) Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Note 1 Summary of significant accounting policies (continued)

(s) Financial risk management (continued)

(i) Credit risk
The major credit risk is the risk that the Trust will fail to perform its obligations including honouring the terms of management fee and expense recovery arrangements either in whole or in part. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the Trust has appropriate financial standing.

The credit risk on financial assets of ALE which have been recognised in the balance sheet is generally the carrying amount net of any provision for doubtful debts.

(ii) Liquidity and cash flow risk
Liquidity risk is the risk that the Company will experience difficulty in either realising or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through actively managing significant exposures to large creditors and ensuring counterparties have appropriate financial standing.

	2006 $	2005 $
Note 2 Management fees		
Management fees	**2,276,395**	**2,185,120**

Fees charged to the Trust by the Company for management and responsible entity services.

Expense recovery and management fee receipts (inclusive of GST) of $10,172,856 (2005: $9,159,166) disclosed in the statement of cash flows is comprised predominantly of recoveries of Trust expenditure paid by the Company and then recovered from the Trust. No margins or fees are charged by the Company on recoverable costs, as a result expense recoveries are not disclosed in the income statement as revenue but are netted off against the relevant expenses incurred.

	2006 $	2005 $
Note 3 Transaction costs and other income		
Acquisition proposal due diligence	2,188,800	177,343
Amounts (recovered) following non-completion (disclosed as other income)	(600,000)	–
Net costs incurred	**1,588,800**	**177,343**

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

	2006 $	2005 $
Note 4 Auditors' remuneration		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of the financial reports of the Group and other audit work under the Corporations Act 2001		
– in relation to current year	135,400	125,750
– in relation to prior year	1,500	60,000
Total remuneration for audit services	**136,900**	**185,750**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	26,173	29,944
Due diligence services	142,250	31,300
Controls assurance services	9,000	7,000
Total remuneration for other assurance services	**177,423**	**68,244**
Total remuneration for assurance services	**314,323**	**253,994**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	9,000	15,000
Due diligence services	223,000	–
Tax consulting services	25,135	24,190
Total taxation services	**257,135**	**39,190**

Includes amounts allocated to the Company of $314,323 for a assurance services (2005: $253,994) and $257,135 for taxation services (2005: $39,190).

	2006 $	2005 $
Note 5 Income tax expense/(benefit)		
Current tax expense /(benefit)	1,918	(8,940)
Deferred tax (benefit)	(372,380)	(30,428)
	(370,462)	**(39,368)**
(Increase) in deferred tax asset	(374,217)	(30,428)
Increase in deferred tax liabilities	1,837	–
	(372,380)	**(30,428)**
Reconciliation of income tax expense to prima facie tax payable		
(Loss) before the income tax expense	(1,222,822)	(140,397)
Tax at the Australian tax rate 30%	(366,847)	(42,119)
Tax effect of amounts which are deductible (taxable) in calculating taxable income:		
Expenditure held on balance sheet	(9,203)	–
Share based payments	2,398	–
Entertainment	735	642
Under provision in prior years	2,455	2,109
	(3,615)	2,751
Income tax (benefit)	**(370,462)**	**(39,368)**

Note 6 Plant and equipment

	Furniture, fittings and equipment $'000	Software $'000	Office fitout $'000	Total $'000
At 30 June 2004				
At cost	2,214	17,845	–	20,059
Accumulated depreciation	(149)	(3,365)	–	(3,514)
Net book value	**2,065**	**14,480**	**–**	**16,545**
Year ended 30 June 2005				
Opening net book value	2,065	14,480	–	16,545
Additions	57,499	25,918	84,616	168,033
Depreciation charge	(12,287)	(7,541)	(24,114)	(43,942)
Closing carrying value	**47,277**	**32,857**	**60,502**	**140,636**
At 30 June 2005				
Cost	59,713	43,763	84,616	188,092
Accumulated depreciation	(12,436)	(10,906)	(24,114)	(47,456)
Net book value	**47,277**	**32,857**	**60,502**	**140,636**
Year ended 30 June 2006				
Opening net book value	47,277	32,857	60,502	140,636
Additions	–	28,705	–	28,705
Depreciation charge	(12,392)	(24,995)	(29,599)	(66,986)
Closing net book amount	**34,885**	**36,567**	**30,903**	**102,354**
As at 30 June 2006				
Cost	59,713	72,468	84,616	216,796
Accumulated depreciation	(24,828)	(35,901)	(53,713)	(114,442)
Net book value	**34,885**	**36,567**	**30,903**	**102,354**

	Note	2006 $	2005 $
Note 7 Cash and cash equivalents			
Cash at bank		459,196	132,764
Deposits at call	(a)	23,918	23,918
		483,114	**156,682**

(a) The deposit represents an office occupancy security deposit.

As at 30 June 2006 the weighted average interest rate earned on cash was 5.64% (2005: 4.82%).

	2006 $	2005 $
Note 8 Receivables		
Accounts receivable	847,213	184,631
Interest receivable	3,815	1,456
	851,028	**186,087**
Note 9 Investment in related party		
Trust No Income Voting Units (NIVUS)	**9,080,010**	**9,080,010**

The Company was issued $9,080,010 of NIVUS in the Trust for cash consideration of $6,200,010 and non-cash consideration of $2,880,000 in November 2003. The NIVUS have only been issued to the Company and are held by the Company in order to satisfy the net tangible asset condition in its Australian Financial Services Licence. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of $1.00, carry no rights to income from the Trust and entitle the holder to no more than $1.00 per NIVUS upon the winding up of the Trust. The Company has a voting power of 9.09% in the Trust as a result of the issue of NIVUS.

	2006 $	2005 $
Note 10 Deferred tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	18,611	9,984
Acquisition proposal due diligence	381,312	–
Other accruals	72,230	75,884
Other provisions	–	12,068
Net deferred tax assets	**472,153**	**97,936**
Movements:		
Opening balance at 1 July 2005	97,936	67,508
Credited/(charged) to the income statement (note 5)	374,217	30,428
Closing balance at 30 June 2006	472,153	97,936
Deferred tax assets to be recovered within 12 months	186,169	97,936
Deferred tax assets to be recovered after more than 12 months	285,984	–
	472,153	**97,936**
Note 11 Payables		
Trade creditors	264,370	64,403
Creditor accruals	1,993,864	396,098
	2,258,234	**460,501**
Note 12 Provisions		
Provision for annual leave	45,902	23,144
Provision for superannuation	15,272	10,135
	61,174	**33,279**

	2006 $	2005 $
Note 13 Loan from related party		
Loan from the Trust	**699,144**	**349,847**

The loan is non-interest bearing, of no fixed term and is repayable on demand.

	2006 $	2005 $
Note 14 Deferred tax liability		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Interest income earned but not received	1,145	–
Prepaid expense	692	–
Net deferred tax liability	**1,837**	**–**
Movements:		
Opening balance at 1 July 2005	–	–
Charged to income statement (note 5)	1,837	–
Closing balance at 30 June 2006	1,837	–
Deferred tax liabilities to be recovered within 12 months	1,837	–
Deferred tax liabilities to be recovered after more than 12 months	–	–
	1,837	**–**

Note 15 Contributed equity

	2006 $	2005 $
(a) Share capital		
Issued share capital 90,800,100 fully paid at $0.10 each	9,080,010	9,080,010
(b) Movements in ordinary share capital		
There was no movement during the year	–	–
Balance at the end of the period	**9,080,010**	**9,080,010**

Movements in the number of fully paid shares	No. of shares	No. of shares
Shares on issue		
Opening balance	90,800,100	90,800,100
Issue of shares	–	–
Closing balance	**90,800,100**	**90,800,100**

Shares

Fully paid stapled security interests in the Company and the Trust were issued at $1.00 per stapled security. Each stapled security comprises one $0.10 share in the Company and one $0.90 unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on any winding up of the Company in proportion to the number of and amounts paid on the securities held. On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a Company poll each ordinary shareholder is entitled to one vote for each fully paid share, and on a Trust poll each unitholder is entitled to one vote for each fully paid unit.

	2006 $	2005 $
Note 16 Retained profits/(loss)		
Balance at the beginning of the year	(244,128)	(143,099)
Net (loss) attributable to ordinary shareholders	(852,360)	(101,029)
Balance at the end of the year	**(1,096,488)**	**(244,128)**
Note 17 Reserves		
Balance at the beginning of the year	13,117	5,124
Employee share option expense	7,992	7,993
Balance at the end of the year	**21,109**	**13,117**

Note 18 Segment information

Business segment
The Company operates solely in the property funds management industry and has no business segmentation.

Geographical segment
The Company operates solely within Australia.

Note 19 Events occurring after reporting date

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

Note 20 Contingent liabilities

The directors are not aware of any material contingent liabilities as at the date of this report.

	2006 $	2005 $
Note 21 Reconciliation of profit after income tax to net cash inflows from operating activities		
(Loss) for the year	(852,360)	(101,029)
Depreciation	66,986	43,943
Income tax (benefit)	(370,462)	(39,368)
Non-cash employee benefits expense – share based payments	7,992	7,993
(Increase)/decrease in receivables	(664,941)	34,291
(Increase) in other assets	(7,004)	(3,002)
Decrease in loan to related party	–	646,548
Increase/(decrease) in loan from related party	349,297	(362,825)
Increase/(decrease) in provisions	27,895	(1,652)
Increase/(decrease) in payables	1,797,733	(7,654)
Net cash inflows from operating activities	**355,137**	**217,245**

Note 22 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement

The Company has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005 and has not restated any comparative period figures for the resulting adjustments. The adjustments have instead been taken directly to retained earnings as at 1 July 2005.

(a) Interest rate risk
The Company's exposure to the interest rate risk and the effective weighted interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets bearing variable interest rates as the Company intends to hold fixed assets and liabilities to maturity.

Note 22 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement (continued)

(a) Interest rate risk (continued)

	Note	Floating interest rate $	FIXED INTEREST MATURING IN 1 year or less $	FIXED INTEREST MATURING IN 1 to 5 years $	FIXED INTEREST MATURING IN More than 5 years $	Non-interest bearing $	Total $'000
2006							
Financial assets							
Cash	7	458,896	23,918	–	–	300	483,114
Receivables	8	–	–	–	–	851,028	851,028
		458,896	**23,918**	**–**	**–**	**851,328**	**1,334,142**
Weighted average interest rate		5.65%	5.60%	–	–	–	2.04%
Financial liabilities							
Payables	11	–	–	–	–	2,258,234	2,258,234
Loan from related party	13	–	–	–	–	699,144	699,144
		–	**–**	**–**	**–**	**2,957,378**	**2,957,378**
Weighted average interest rate		–	–	–	–	–	–
Net financial assets/(liabilities)		**458,896**	**23,918**	**–**	**–**	**(2,106,050)**	**(1,623,236)**

	Note	Floating interest rate $	FIXED INTEREST MATURING IN 1 year or less $	FIXED INTEREST MATURING IN 1 to 5 years $	FIXED INTEREST MATURING IN More than 5 years $	Non-interest bearing $	Total $'000
2005							
Financial assets							
Cash	7	132,464	23,918	–	–	300	156,682
Receivables	8	–	–	–	–	186,087	186,087
		132,464	**23,918**	**–**	**–**	**186,387**	**342,769**
Weighted average interest rate		4.75%	5.25%	–	–	–	2.20%
Financial liabilities							
Payables	11	–	–	–	–	460,501	460,501
Loan from related party	13	–	–	–	–	349,847	349,847
		–	**–**	**–**	**–**	**810,348**	**810,348**
Weighted average interest rate		–	–	–	–	–	–
Net financial assets/(liabilities)		**132,464**	**23,918**	**–**	**–**	**(623,961)**	**(467,579)**

(b) Credit risk
Credit risk is the risk that the Trust will fail to perform its contractual obligations to the Company, including honouring the terms of its constitution, either in whole or in part. Credit risk has been minimised primarily by ensuring that the Trust has appropriate financial standing.

The credit risk on financial assets of the Company which have been recognised in the balance sheet is generally the carrying amount net of any provision for doubtful debts.

(c) Liquidity and cash flow risk
Liquidity risk is the risk that the Company will experience difficulty in either realising or otherwise raising sufficient funds to satisfy commitments. Cash flow risk is the risk that the future cash flows will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through actively managing significant exposures to large creditors and ensuring counterparties have appropriate financial standing.

(d) Net fair value of assets and liabilities
The net fair value of assets and liabilities included in the balance sheet approximates their carrying values.

Note 23 Commitments

(a) Capital commitments
The directors are not aware of any capital commitments as at the date of this report.

(b) Lease commitments
The Company has entered into a non-cancellable operating lease for its office premises at Level 8, 15-19 Bent Street, Sydney. The minimum net lease commitments under this lease are:

	2006 $	2005 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	73,361	70,843
Later than one year but not later than five years	3,867	71,188
Later than five years	–	3,825
	77,228	**145,856**

Note 24 Related party transactions

(a) Parent entity, subsidiaries, joint ventures and associates
The Company has no parent entity, subsidiaries, joint ventures or associates.

(b) Key management personnel
Key management personnel and their compensation are set out in note 25.

(c) Transactions with related parties
For the year ended 30 June 2006 the Company had charged the Trust $2,276,000 in management fees (2005: $2,185,000).

Peter Warne is a director and chairman of ALE and of Next Financial Pty Limited ("Next"), which is a private investment manager which operates accounts on behalf of investors. All such securities are held by Fortis Clearing Sydney Pty Ltd ("Fortis") as custodian for clients. Fortis held 4,254,837 stapled securities of ALE as at 30 June 2006 (2005: 4,400,314). Mr Warne does not make any investment decisions as part of his role at Next which relate to securities in ALE.

ALE has entered into two associate motor vehicle leases with the spouse of Darren Barkas. The leases commenced on 15 March 2005. For the year ended 30 June 2006 payments under the leases totalled to $5,000 (2005: $2,000).

(d) Terms and conditions
All related party transactions are conducted on normal commercial terms and conditions.

Outstanding balances are unsecured and are repayable in cash and callable on demand.

Note 25 Key management personnel

(a) Directors
The following persons were directors of the Company during the financial year:

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

(b) Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the year.

Name	Title	Appointed
Andrew Slade	Investment and Acquisitions Manager	18 July 2005
Darren Barkas	Group Financial Controller	29 January 2004
Brendan Howell	Company Secretary and Compliance Officer	26 September 2003

Note 25 Key management personnel (continued)

(c) Compensation for key management personnel

The following table sets out the compensation for key management personnel in aggregate. Refer to the remuneration report in the directors' report for details of the remuneration policy and compensation details by individual.

	2006 $	2005 $
Short-term employee benefits	1,081,304	817,848
Post employment benefits	49,843	41,231
Share based payments	7,993	7,993
	1,139,140	**867,072**

The Company has taken advantage of the relief provided by the Corporations Regulations CR2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 77 to 80.

(d) Equity holdings of key management personnel

The table sets out the share holdings for key management personnel in the Company:

Name	Role	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
P H Warne	Non-executive Director	453,400	196,600	650,000
J P Henderson	Non-executive Director	40,000	15,000	55,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	51,998	16,002	68,000
D S Barkas	Group Financial Controller	46,810	1,517	48,327
A J Slade	Investment and Acquisitions Manager	–	12,000	12,000

The following director currently holds options over shares in the Company:

Name	Role	Number held at the start of the year	Purchases/(sales)	Number held at 30 June 2006
A F O Wilkinson	Director	300,000	–	300,000

Note 26 Earnings per share

	2006 $	2005 $
(a) Basic earnings per share		
Attributable to equity holders of the Company		
Basic and diluted earnings per equity holders of the Company	(0.94)	(0.11)
Attributable to security holders of the stapled entity		
Basic and diluted earnings per stapled security		
Basic and diluted earnings per stapled security before financing costs attributable to the Company security holders divided by the average number of securities	(0.94)	(0.11)
Basic and diluted earnings per stapled security using realised operating income	(0.94)	(0.11)

	Number	Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating earnings per share	90,800,100	90,800,100
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	90,800,100	90,800,100

Note 27 Explanation of transition to Australian equivalents to IFRS

(1) Reconciliation of ALE profit under previous Australian Generally Accepted Accounting Principles (AGAAP) to profit under Australian equivalents to IFRS (AIFRS)

As at the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Revenue				
Management fees		2,185,120	–	2,185,120
Interest income		20,382	–	20,382
Total revenue		**2,205,502**	**–**	**2,205,502**
Expenses				
Salaries, fees and related costs	(a)	886,204	7,993	894,197
Corporate advisory services		140,603	–	140,603
Auditors' remuneration		182,625	–	182,625
Registry fees		62,131	–	62,131
Legal fees		143,013	–	143,013
Occupancy costs		91,622	–	91,622
Accounting fees		75,707	–	75,707
Depreciation expense – plant and equipment		22,248	–	22,248
Travel and accommodation		27,068	–	27,068
Acquisition proposal due diligence		177,343	–	177,343
Other expenses		529,342	–	529,342
Total expenses		**2,337,906**	**7,993**	**2,345,899**
(Loss) before income tax		**(132,404)**	**(7,993)**	**(140,397)**
Income tax (benefit)		(39,368)	–	(39,368)
(Loss) after income tax		**(93,036)**	**(7,993)**	**(101,029)**

Note 27 Explanation of transition to Australian equivalents to IFRS (continued)

(2) Reconciliation of equity reported under AGAAP to equity under AIFRS

(a) As at the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Current assets				
Cash and cash equivalents		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				
Plant and equipment		140,636	–	140,636
Investment in related party		9,080,010	–	9,080,010
Deferred tax asset		97,936	–	97,936
Total non-current assets		**9,318,582**	**–**	**9,318,582**
Total assets		**9,692,626**	**–**	**9,692,626**
Current liabilities				
Payables		460,501	–	460,501
Provisions		33,279	–	33,279
Loan from related party		349,847	–	349,847
Total current liabilities		**843,627**	**–**	**843,627**
Total liabilities		**843,627**	**–**	**843,627**
Net assets		**8,848,999**	**–**	**8,848,999**
Equity				
Contributed equity		9,080,010	–	9,080,010
Accumulated losses		(231,011)	(13,117)	(244,128)
Share based payments reserve	(a)	–	13,117	13,117
Total equity		**8,848,999**	**–**	**8,848,999**

Note 27 Explanation of transition to Australian equivalents to IFRS (continued)

(2) Reconciliation of equity reported under AGAAP to equity under AIFRS (continued)

(b) At the date of transition to AIFRS: 1 July 2004

	Note	1 July 2004 previous AGAAP $	1 July 2004 effect of transition to AIFRS $	1 July 2004 AIFRS $
Current assets				
Cash		107,470	–	107,470
Receivables		220,378	–	220,378
Loan to related party		646,548	–	646,548
Prepayments and other assets		22,315	–	22,315
Total current assets		**996,711**	**–**	**996,711**
Non-current assets				
Receivables		5,958	–	5,958
Plant and equipment		16,545	–	16,545
Investment in related party		9,080,010	–	9,080,010
Deferred tax asset		58,568	–	58,568
Total non-current assets		**9,161,081**	**–**	**9,161,081**
Total assets		**10,157,792**	**–**	**10,157,792**
Current liabilities				
Payables		468,154	–	468,154
Provisions		34,931	–	34,931
Other		712,672	–	712,672
Total current liabilities		**1,215,757**	**–**	**1,215,757**
Total liabilities		**1,215,757**	**–**	**1,215,757**
Net assets		**8,942,035**	**–**	**8,942,035**
Equity				
Contributed equity		9,080,010	–	9,080,010
Share based payments reserve	(a)	–	5,124	5,124
Accumulated losses		(137,975)	(5,124)	(143,099)
Total equity		**8,942,035**	**–**	**8,942,035**
Net assets per stapled security		**$0.10**	**–**	**$0.10**

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Note to the reconciliations

(a) Equity based compensation benefits

Under previous AGAAP, the Company recognised no expense for options granted over unissued stapled securities to the managing director for nil monetary consideration. 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.

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.

As a result, expenses for the half year ended 31 December 2005 of $4,029 and for the full year ended 30 June 2005 of $7,993 have been recognised in the income statement.

At the date of transition on 1 July 2004 the effect of AASB 2 Share-based Payment on the balance sheet was to reduce the retained profits by $5,124 and increase the opening share based payments reserve by $5,124.

In the directors' opinion:

(a) the financial statements and notes set out on pages 83 to 99 are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) The actual remuneration disclosures set out on pages 77 to 80 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

P Warne
Director

Sydney

Dated this 29th day of August 2006

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Independent audit report to the stapled security holders 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 financial report and remuneration disclosures of Australian Leisure and Entertainment Property Management Limited (the Company) for the financial year ended 30 June 2006 included on ALE Property Group's web site. The Company's directors 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 and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration disclosures. 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 and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Audit opinion
In our opinion:

1. the financial report of Australian Leisure and Entertainment Property Management Limited:

– gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Australian Leisure and Entertainment Property Management Limited as at 30 June 2006, and of their performance for the year ended on that date, and

– is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and

2. the remuneration report contained in pages 77 to 80 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001..

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

Scope

The financial report, remunerations disclosures and directors' responsibility
The financial report comprises the balance sheets, income statements, cash flow statements, statements of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Australian Leisure and Entertainment Property Management Limited (the company), for the year ended 30 June 2006.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 77 to 80 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach
We conducted an independent audit 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 financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. 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 performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

PRICEWATERHOUSECOOPERS

Independent audit report to the stapled security holders of Australian Leisure and Entertainment Property Management Limited (continued)

We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S Hadfield

S J Hadfield
Partner

Sydney
29 August 2006

ALE PROPERTY GROUP

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28 August, 2006

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 2006.

Dear Directors,

We confirm to the best of our knowledge and belief that the Financial Reports for the year ended 30 June 2006 of:

- ALE Property Group, being Australian Leisure and Entertainment Property Trust and its controlled entities;
- Australian Leisure and Entertainment Property Management Limited; and
- 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

Brendan Howell
Company Secretary

The equity holder information set out below was applicable as at 31 August 2006.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	CLASS OF EQUITY SECURITY		
Number of securities	Number of stapled security holders	Number of option holders	Number of No Income Voting Unit (NIVUS) holders
1 – 1,000	91	–	–
1,001 – 5,000	754	–	–
5,001 – 10,000	554	–	–
10,001 – 100,000	1,080	–	–
100,001 and over	11	1	1
Total	2,490	1	1

The stapled securities are listed on the ASX and each stapled security is comprised of one share in Australian Leisure and Entertainment Property Management Limited ("Company") and one unit in Australian Leisure and Entertainment Property Trust ("Trust"). The options are stapled security options. The NIVUS have been issued by the Trust to the Company.

300,000 options have been issued, all under an employee incentive plan. The options and the NIVUS are unquoted equity securities, i.e. not listed on the ASX.

There were four holders of less than a marketable parcel of stapled securities.

B. Equity security holders

The names of the 20 largest holders of stapled securities are listed below:

Rank	Name	Number of stapled securities	% of issued capital
1	National Nominees Limited	11,132,237	12.26
2	ANZ Nominees Limited	6,392,378	7.04
3	J P Morgan Nominees Australia Limited	6,092,194	6.71
4	Westpac Custodian Nominees Limited	4,706,485	5.18
5	Fortis Clearing Nominees P/L	4,210,050	4.64
6	Mr Kenneth Charles Ferris and Mrs Dorothy Mayferris	2,217,867	2.44
7	Lady Jean Falconer Griffin	1,859,120	2.05
8	T W Hedley Pty Ltd	1,652,928	1.82
9	Citicorp Nominees Pty Limited	1,580,074	1.74
10	T W Hedley Pty Ltd	1,561,606	1.72
11	RBC Dexia Investor Services Australia Nominees Pty Limited	1,085,586	1.20
12	RBC Dexia Investor Services Australia Nominees Pty Limited	810,000	0.89
13	T W Hedley Pty Ltd	763,297	0.84
14	ARGO Investments Limited	610,000	0.67
15	UBS Wealth Management Australia Nominees Pty Ltd	556,500	0.61
16	Caergwrle Investments Pty Ltd	500,000	0.55
17	Mrs Shemara Wikramanayake	460,500	0.51
18	Bond Street Custodians Limited	385,000	0.42
19	Pineross Pty Ltd	325,000	0.36
20	Mr Kenneth Charles Ferris and Mrs Dorothy May Ferris	273,491	0.30
Total		**47,174,313**	**51.95**

C. Substantial holders

Substantial holders of ALE (as per notices received as at 31 August 2006) are set out below:

	Number held	Percentage of voting rights
Stapled security holder		
UBS Nominees Pty Limited	9,595,726	10.57%
Deutsche Bank Group	9,482,014	10.44%
Australia and New Zealand Banking Group Limited	7,165,395	7.89%
ING Australia Holdings Limited and related companies	7,269,917	8.01%

ANZ and each of the ANZ subsidiaries is taken under s 608(3)(a) of the Corporations Act 2001 to have the same relevant interest in ALE Property Group as ING Australia Limited (INGA), by reason of ANZ having voting power above 20% in INGA.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

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

(b) NIVUS
Each NIVUS entitles the the Company to one vote at a meeting of the Trust. 9,080,000 NIVUS have been issued by the Trust to the Company and 90,800,100 units have been issued by the Trust to stapled security holders. The NIVUS therefore represent 9.09% of the voting rights of the Trust.

(c) Options
No voting rights.

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 Press Room, Lower Ground level, Radisson Hotel, Sydney at 10 am on 9 November 2006.

A copy of the notice of meeting will be mailed to stapled security holders and made available to download from ALE's website in late September 2006.

Security Holder Enquiries
Please contact the registry if you have any questions about your holding or payments.

CORPORATE DIRECTORY

Registered Office
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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
Deutsche Bank Place
Corner Hunter and Phillip Streets
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

Registry
Computershare Investor Services Pty Ltd
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