ASX ANNOUNCEMENT

2 October 2007

Announcement No. 16/07
The Manager
Corporate Announcement Office
Australian Stock Exchange

ALE PROPERTY GROUP (ALE) ANNUAL REPORT 2007

Please find attached a copy of the ALE Annual Report that will be mailed to ALE's stapled security holders on Tuesday 2 October 2007.

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

- Ends -

Contact:

Brendan Howell
Company Secretary
ALE Property Group

02 8231 8588
Website: www.alegroup.com.au

ALE PROPERTY GROUP
ANNUAL REPORT JUNE 2007

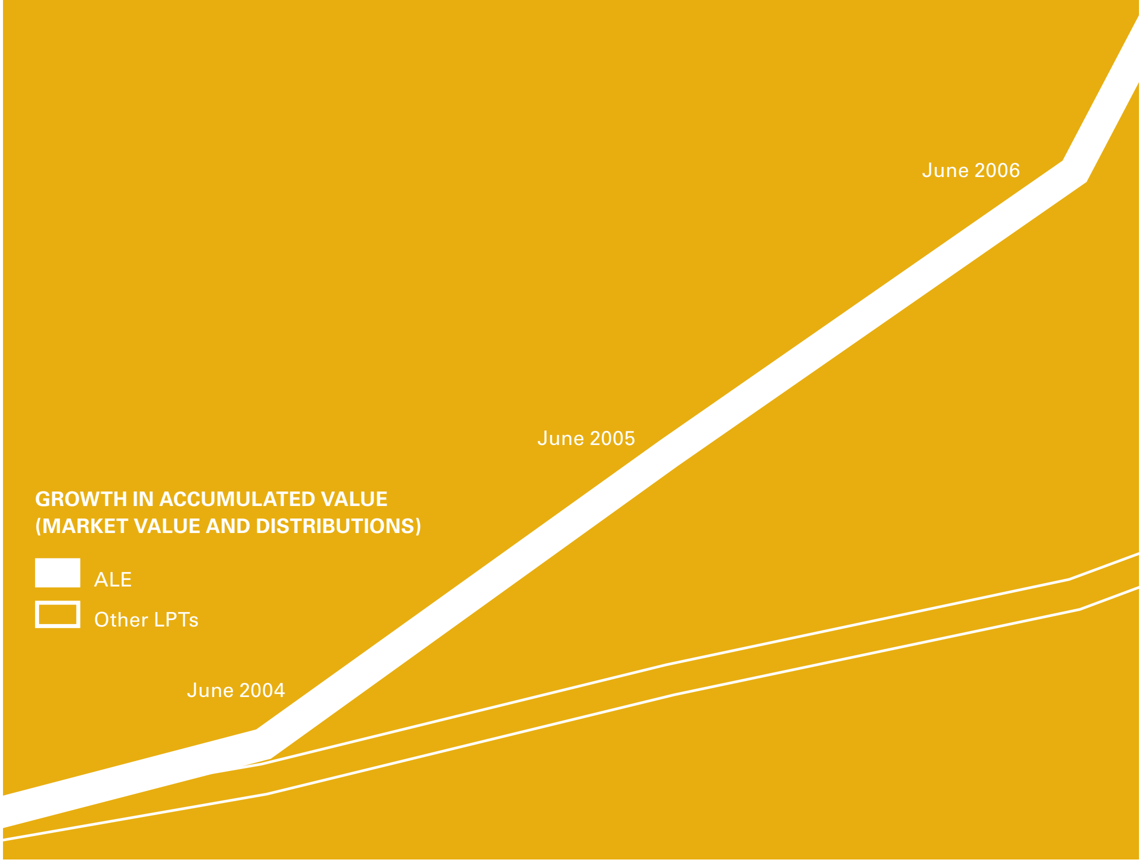
ALE PROPERTY GROUP

Top shelf results

ALE Property Group owns a portfolio of 103 pubs located throughout the five mainland states of Australia.

CONTENTS

The quality of the Group's assets and its risk and capital management policies have once again enabled ALE to outperform expectations in delivering top shelf returns to security holders



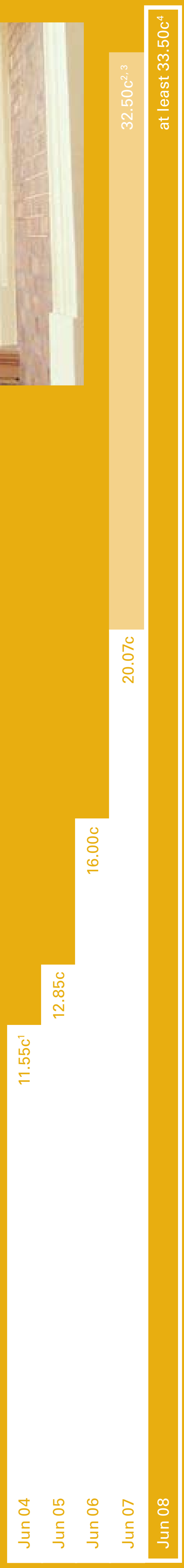
Front cover and opposite left:
The Breakfast Creek Hotel is "an institution" in Brisbane.

Opposite right:
The Queens Tavern in Highgate, Perth was first established as a pub in 1899. See www.thequeens.com.au for more information.

June 2007

The accumulated total value from a $1.00 investment in ALE from the November 2003 IPO to 30 June 2007 is $5.54

The accumulated total value from a $1.00 investment in the S&P/ASX Property 300 index for the same period is $2.27



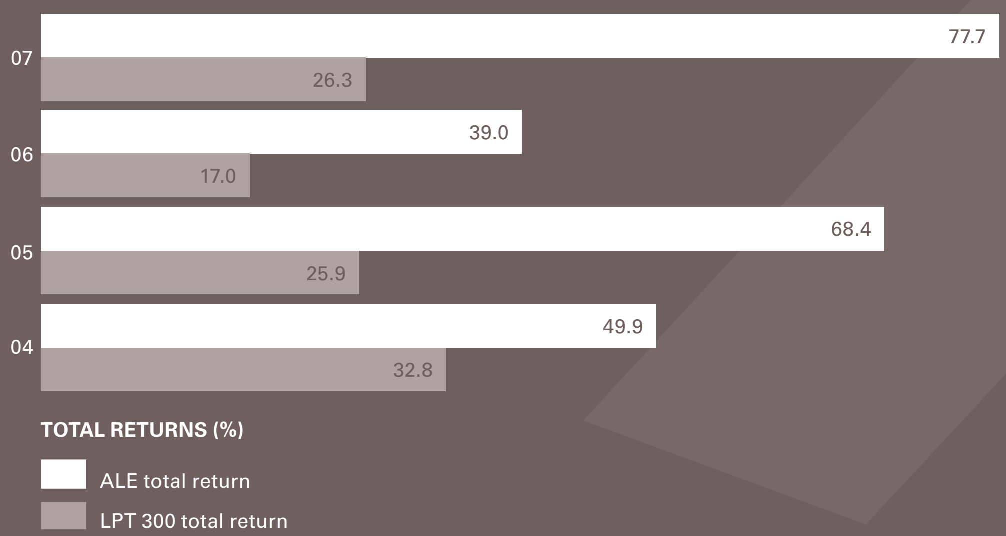
TOTAL DISTRIBUTION (CENTS PER SECURITY)

+20%

Income distribution growth over four years

1 Annualised
2 June 2007 total distribution is 103.1% higher than June 2006 income distribution
3 June 2007 income distribution is 25.4% higher than June 2006 income distribution
4 On an unchanged portfolio basis and subject to acquisitions, gearing levels and other financial criteria

ALE performance outpaces the LPT market



Above right:
The New Brighton Hotel in Sydney, NSW is located on the Corso and is less than 50 metres from the world famous Manly Beach. The New Brighton has recently been refurbished by ALH.

2007 total distribution represented

32.5%

of the 2003 \$1.00 IPO subscription price

ALE investors contributed equity in 2003 at an initial price of \$1.00. For the year to 30 June 2007 ALE paid a total distribution (both income and capital) of 32.5 cents per security.

ALE is delivering capital management initiatives while also preserving ALE's capacity to make further acquisitions.

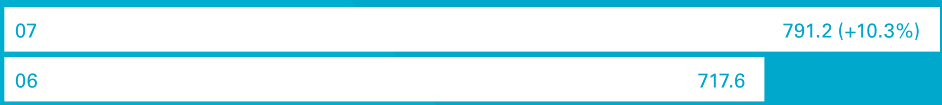
Major investments by ALH are enhancing the offering at ALE's properties

ALH is making leasehold additions and enhancements to ALE's buildings. ALH takes the development risk and funds those initiatives. ALH has been particularly active in adding Dan Murphy outlets.

ALE acquires an icon hotel in the growing market of Perth

ALE settled the acquisition of the Balmoral Hotel, Victoria Park in Perth in August 2007. At a price of $6.0 million this will provide an acquisition yield of 6.3% plus growth of Perth based CPI into the future. The next market rent review in February 2008 is linked to turnover and will increase by at least CPI.

Whole of property portfolio value assessed at $881.1 million



SUM OF INDIVIDUAL PROPERTY VALUES ($M)

Whole of property portfolio value delivers an 11.4% premium

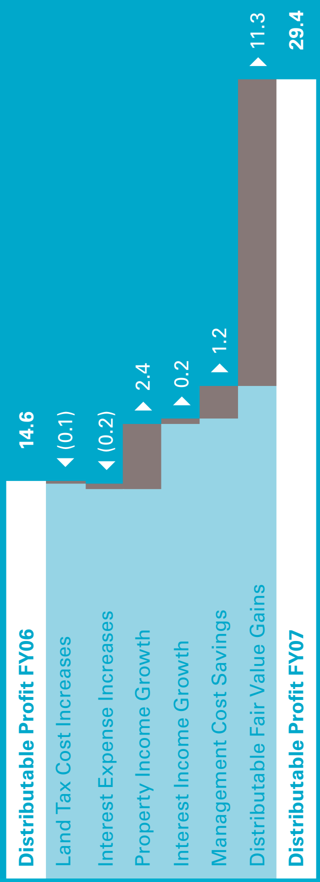
ALE has revalued each of its freehold properties. DTZ independently assessed that the capitalisation rates (or net property yields) for a representative one-third sample had reduced to 6.07%.

This capitalisation rate was based on a sum of the individual properties value.

DTZ separately assessed that the properties on a whole of portfolio basis would attract an 11.4% premium to the sum of individual properties value. This premium has regard for the current market demand from larger investors for quality portfolios of properties of significant scale.

Above left:
A recent Dan Murphy addition at Albany Creek Tavern, Albany Creek, QLD.

Above centre, right:
The Balmoral Hotel in Perth was first established as a pub in the 1930s.



DISTRIBUTABLE PROFIT GROWTH ($M)

+ **Increasing property values**
(increased values and a portfolio premium)

+ **Gearing reduced**
(reduced from 68% to 63%)

+ **Long term hedging**
(average term of seven years)

+ **Long term finance**
(average maturity date of seven years)

+ **Total distribution growth**
(guidance of at least 33.5 cents for FY08)

OUTLOOK

ALE's "quality" will continue to deliver impressive results

> “Distributable profit for the year rose to $29.4 million, representing a 101.4% increase over the previous period. ALE expects to pay total distributions of at least 33.5 cents per stapled security for the year ending 30 June 2008 on an unchanged portfolio basis.”

CHAIRMAN’S MESSAGE

Dear investor,

On behalf of your Board, it is my pleasure to report to you on the performance for the period ended 30 June 2007.

The strategy

It has been and continues to be your Board’s strategy to safeguard ALE’s high quality property portfolio with its long term and highly secure lease arrangements and

- provide you, our investors, with the highest possible, long term, secure, tax efficient cash flow, growing these distributions over time by at least the rate of growth in CPI
- manage operations efficiently in order to achieve low costs
- maintain an efficient capital structure including an appropriate constant level of gearing and use of low cost debt instruments

while at the same time maintaining

- an appropriate approach to risk and liability management
- best practice regarding protection of investors’ interests through strong compliance with our regulatory and contractual obligations, effective corporate governance practices and regular and transparent stakeholder communication, and
- appropriate oversight of the management of our property portfolio including additional property acquisitions where appropriate.

Your Board believes that through this long term and fundamental approach, the market will best come to realise the inherent value in ALE’s securities.

The Board believes that continued progress has been made on all elements of its strategy in the year under review.

The results

Following on from three years of strong results, ALE has again achieved significant growth in the distributions. For the year ended 30 June 2007, ALE has paid total distributions (both income and ongoing capital) totalling 32.5 cents per stapled security. This is 103.4% higher than last year and 3.5% higher than guidance provided by the Board in May 2007. ALE expects to pay total distributions of at least 33.5 cents per stapled security for the year ending 30 June 2008 on an unchanged portfolio basis.

ALE has also seen significant growth in capital value and distributable profit. Distributable profit for the year rose to $29.4 million, representing a 101.4% increase over the previous period. This is in part due to efficient management and the continuing careful management of expenses.

ALE is pleased for the fourth successive year, to report that the value of the portfolio has increased significantly – this year by $81.6 million, or 11.4%. This is a direct result of the continuing strong investor demand for high quality properties.

ALE has invested significant Board and management time in maintaining an efficient capital structure. To date two important capital management initiatives have been announced and implemented.

First, ALE decided to institute a policy of paying half-yearly capital distributions of at least 50% of the component of the property valuation increase that directly relates to the increase in net rent. All other things being equal, the policy is expected to assist in maintaining ALE’s gearing levels. It is the Board’s intention that this be an ongoing policy having regard to gearing levels and other acquisition opportunities.

Secondly, ALE obtained ASIC approval to undertake an on-market buyback of up to 10% of ALE securities. To date, significant progress has been made with the aim of completing the buyback by May 2008.

In August 2007, ALE purchased the Balmoral Hotel, Perth, WA for $6.0 million. ALE continues to review Perth and other capital city markets for value accretive opportunities.

The Board and Audit, Compliance and Risk Management Committee’s focus on risk management continues. Over and above the high quality rental covenant and long term leases that ALE currently enjoys, the examination and consideration of both enterprise and financial risk continue. In times of volatility the ALE Board considers the reduced risk arising from the ALE assets and financial structure to be a key strength of the business.

I express my gratitude to Managing Director Andrew Wilkinson and his 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 and reduced risk to security holders.

The Board continues to review its corporate governance functions in light of market best practice. An internal review of both the Board’s and Audit, Compliance and Risk Management Committee’s performance is being undertaken, the results of which will be reported at this year’s annual general meeting.

This year’s AGM will be held at the Westin Hotel, Sydney at 10am on 13 November 2007. 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

FINANCIAL HIGHLIGHTS

Distributable profit increased to $29.4 million for FY07

	FY04[1]	FY05	FY06	FY07	CHANGE
Distributable Profit[2]	$8.0m	$11.7m	$14.6m	**$29.4m**	$14.8m
Distribution per Security	7.50¢	12.85¢	16.00¢	**32.50¢**	16.50¢
Property Values[4]	$576.7m	$651.5m	$717.6m	**$791.2m**	$73.6m
Gearing[3]	80%	72%	68%	**63%**	(5%)
Total Security Holder Return	49.9%	68.4%	39.0%	**77.7%**	38.7%
Net Assets per Security[4]	$1.41	$2.17	$2.64	**$3.37**	$0.73
Net Assets per Security[5]	n/a	n/a	n/a	**$4.36**	n/a

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 (sum of individual properties basis)
4 On a sum of individual properties basis
5 On a whole of property portfolio basis

NOVEMBER 03 LISTING TO JUNE 07 HIGHLIGHTS

Growth in...	
Income Distribution	20.1% p.a.
Total Distribution	41.2% p.a.
Net Assets (sum of individual)	39.6% p.a.
Net Assets (whole of portfolio)	49.8% p.a.
Accounting Net Profit	$3.9m to $97.7m
Market Capitalisation	$90.8m to $398.9m
Total Security Holder Return	**61.2% p.a.**

MAJOR ANNOUNCEMENTS

(See www.alegroup.com/investors/announcements)

21 August 2007
June full-year results
June full-year report

3 July 2007
ALE delivers 77.7% total return

22 June 2007
Investor update

18 June 2007
ALE acquires Balmoral Hotel, WA

14 June 2007
FY07 distribution declaration

23 May 2007
Increase in property valuations
Capital distribution policy update

2 May 2007
ASIC approves on-market buyback

28 February 2007
Distribution increase

20 February 2007
December half-year results
December half-year report

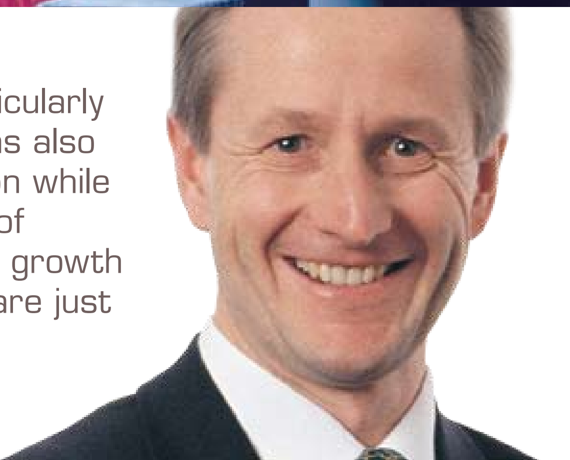
4 January 2007
ALE tops return tables

12 December 2006
Increase in property values
Interim distribution declaration

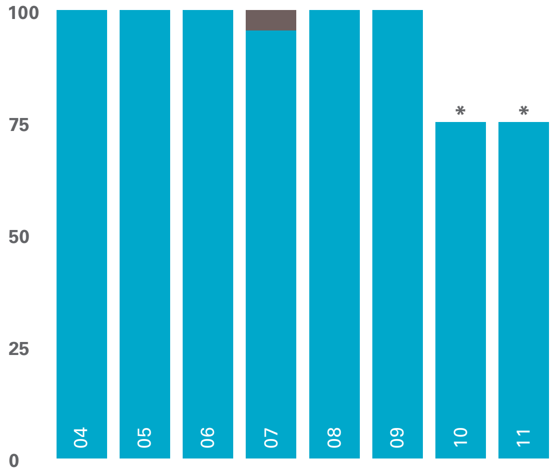
9 November 2006
AGM presentation
AGM 2006 results
Rent reviews and distribution guidance

2 November 2006
ALE tops three year return tables

> "In ALE's fourth year of operation it is particularly pleasing to report a strong result. ALE has also strengthened its risk management position while at the same time delivering on a number of capital management initiatives. Significant growth in both distributions and property values are just a few of the many highlights for the year."



MANAGING DIRECTOR'S REPORT



TAX DEFERRED DISTRIBUTION EXPECTATIONS (%)

Tax deferred

CGT concessional

* At least 75% tax deferred

I am delighted to report to you for the fourth 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 addition of value through an innovative capital management programme.

Distributable profit $29.4 million (up by 101.4%)

For the year ended 30 June 2007 ALE substantially increased its distributable profit and has paid total distributions of $29.6 million, or 32.50 cents per stapled security. This is 103.1% higher than the total distribution for 2006 and 15.9% higher than the guidance given halfway through the year.

Major contributors to distributable profit include:

Income

Property income $49.9 million (up by 4.9%)

- ALE's total income from its properties rose 4.9% during the year, driven by an average inflation rate across the portfolio of 3.82% and the full year impact of rental income from ALE's acquisition of the Berwick Inn, Victoria.

Interest income $1.4 million (up by 21.1%)

- ALE holds cash on deposit in order to provide security for its senior debt facilities and provide liquidity for its ongoing operations, and
- ALE's efficient cash management combined with higher short term interest rates have led to higher interest income during the year.

Expenses

Cash interest expense $29.2 million (up by 0.7%)

- $2.1 million (net of costs) reduction in cash interest expenses (on a like for like basis) due to refinancing in May 2006
- 2006 interest expense included one-off refinancing net benefits (realisation of interest rate swap benefits, less refinancing costs), and
- marginal increase in interest expense due to 100% debt funding of the Berwick Inn purchase in February 2006.

Land tax $1.3 million (up by 13.7%)

- ALE pays land tax in Queensland only. The large land tax increase this year was due to a large revaluation of the Queensland portfolio by the Government. All other regular property outgoings are paid by ALE's tenant, Australian Leisure and Hospitality Group Limited (ALH).

Management expenses $2.8 million (down by 29.4%)

- ALE was able to reduce expenses across a range of management items
- prior year included significant expenses associated with acquisitions that did not proceed, and
- ALE's internal management structure enabled ALE's management expense ratio (MER) to remain at just 0.24%. This is one of the lowest in the listed property trust (LPT) sector and preserves significant value for ALE's investors when compared to the fee structures adopted by externally managed trusts.

Fair value adjustments identified for distribution (up $11.3 million, new policy)

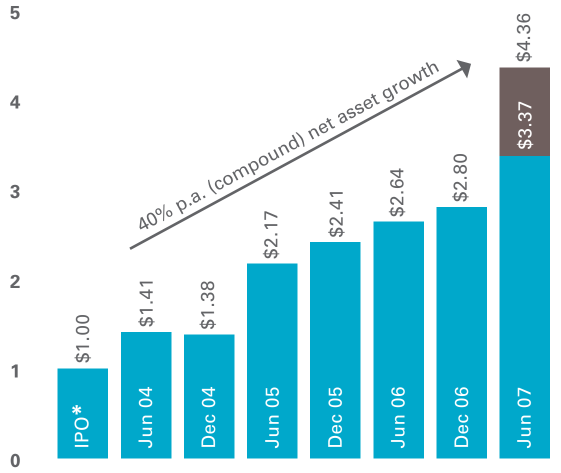
- The distribution of identified fair value adjustments arising from inflation linked rental related revaluations contributed $11.3 million to ALE's ongoing capital distributions for the year. See details later under capital management.

Net accounting profit $97.7 million

Net profit for ALE includes a number of non-cash items and in particular the revaluations of all of ALE's freehold properties during the year.

Including these non-cash items, ALE's net profit for the year was $97.7 million, with the major contributing factors being property revaluations (before disposals) of $81.6 million:

- DTZ revalued 35 of ALE's properties during the year. Based upon advice from DTZ, the Directors revalued the balance of the properties on a state by state pro-rata basis
- total sum of individual properties value of $791.2 million, excludes the $6.0 million Balmoral Hotel in Perth, acquired after the balance date. The total also excludes four properties sold to ALH for $8.6 million
- the sum of individual properties revaluation showed an improvement in the average property capitalisation rate from 6.58% to 6.07% (excluding the three development properties) and
- DTZ also valued the freehold assets on a whole of portfolio basis during the year. DTZ's valuation of $881.1 million ascribed an 11.4% premium to the sum of individual properties valuation based on a view of what a purchaser would pay for a portfolio of ALE's size and quality. This value equates to a capitalisation rate of 5.44% and a net asset per security of $4.36 as at 30 June 2007.



INCREASING NET ASSETS ($)

Portfolio premium

* November 2003

Risk management

ALE continues to enjoy the strong A- rental covenant provided by ALH, a company ultimately 75% owned by Woolworths Limited. The leases are all triple net and have an average lease term of 21 years plus four options of 10 years each.

At the end of FY06 ALE arranged an award winning refinancing of its existing commercial mortgage backed securities (CMBS) and achieved a more efficient, longer term and asset-matched debt structure. It included the first issue by an Australian listed property trust of a (AAA-rated) Capital Inflation Indexed Bond (CIB).

This enabled lower cash interest payments, extended the debt and interest rate hedging terms while also matching the interest expense to ALE's inflation-linked rental stream. As at 30 June 2007, ALE's:

- weighted average cash borrowing rate has reduced to 5.71%
- gearing has reduced to 63.2%, compared with gearing of 88.6% at IPO and 68.2% one year before
- net cash flow generated by ALE (rental income less management expenses and land tax) covered net cash interest obligations by 1.65 times
- weighted average debt term is now seven years with debt maturities ranging from May 2011 to November 2023, and
- weighted average interest rate hedging term is now seven years with swap and fixed interest maturities ranging from November 2009 to November 2023.

As part of the May 2006 refinancing, ALE arranged additional CMBS funding facilities of $74 million. At 30 June 2007 those facilities remained undrawn and available for:

- funding the on-market buyback of the remaining 6 million securities yet to be acquired before May 2008
- making ongoing capital distributions, and
- funding the equity component of further property acquisitions.

In addition, ALE has obtained approvals from a trading bank for a $20 million working capital facility. This facility is expected to be used for short term funding requirements.

Capital management

ALE has and will continue to undertake a number of capital management initiatives with the aim of adding value for ALE's stapled security holders. These include:

On-market security buyback

In May 2007, ALE obtained ASIC approval to undertake an on-market buyback of up to 10% of ALE stapled securities. The buyback will close on the earlier of the buyback of 9.08001 million securities or 1 May 2008. The ultimate amount of capital committed to the buyback programme will depend upon the ongoing market price and availability of ALE securities.

To the end of August 2007, approximately 3.7 million securities have been purchased at an (ex distribution equivalent) average price of $4.13 per security. The purchases have been entirely funded by surplus cash balances. Going forward the purchase of the remaining 5.4 million securities will be funded by existing undrawn debt facilities.

Ongoing capital distribution policy

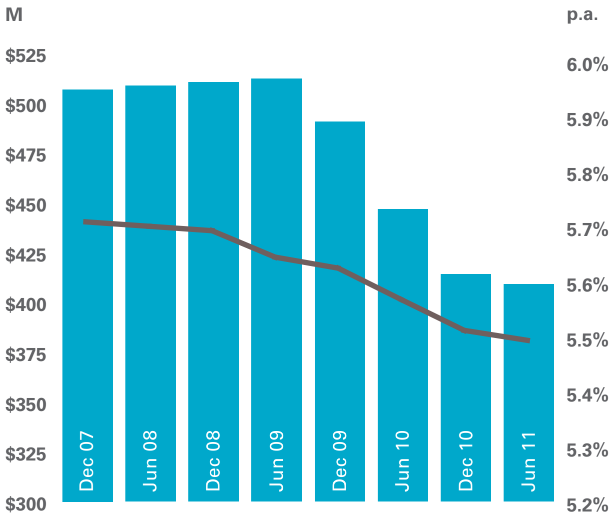
During the year ALE instituted a policy of paying half-yearly ongoing capital distributions of at least 50% of the component of the property valuation increase that directly attributes to the increase in net rent. All other things being equal, the policy is expected to assist in maintaining ALE's gearing levels as the inflation adjusted rental streams are reflected in revaluations. It is the Board's intention that this be an ongoing policy having regard to the trust's gearing levels and other acquisition opportunities. Going forward the payment of ongoing capital distributions will be funded by existing undrawn debt facilities.

The policy resulted in ongoing capital distributions of $11.3 million or 12.43 cents per security being paid in respect of the 2007 year.

Acquisitions

ALE continues to seek suitable opportunities to add to its existing portfolio on a basis consistent with its acquisition criteria. During 2007, ALE selectively reviewed a number of opportunities that were consistent with the criteria.

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



HEDGING AND INTEREST RATES

Average Fixed/Swapped Interest Rate (RH axis)

Amount of Fixed/Swapped Debt (LH axis)

In August 2007, ALE settled the Balmoral Hotel for $6.0 million (at independent valuation) on an acquisition yield of 6.3% p.a. The property has been operating as a pub in Perth for more than 70 years. The property is leased to ALH on a long term lease. ALE continues to review Perth and other capital city markets for similar value accretive opportunities.

Two of the remaining development properties are under development by Foster's Group Limited (Foster's) and ALH. The Burleigh Heads Hotel, Queensland was opened for operation in July 2007. It is expected that following satisfactory due diligence the freehold property will be settled for the pre-agreed $6.7 million before 31 December 2007. Likewise, the Narrabeen Hotel, NSW is expected to be completed in October 2007 and will be settled in a similar time frame. These property settlements are already funded. The Parkway Hotel, NSW has not yet commenced development. Discussions are continuing with ALH and Foster's. The outcomes of these discussions will be communicated to security holders upon finalisation of an agreement.

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

FY07 distributions

ALE increased total distributions per security to 32.50 cents in the current year, a growth rate of 103.1% over 16.00 cents in FY06. The 16.80 cents final distribution was paid on 31 August 2007 to stapled security holders on ALE's register as at 5pm on 25 June 2007.

The total distribution was also above the guidance of at least 31.40 cents per stapled security provided in May 2007 and pays out 100.5% of distributable income generated during the year.

ALE's FY07 distribution was 95.37% tax deferred and 4.63% CGT concessional. The CGT concessional component arises from the gains on the sale of four properties.

Outlook

The outlook for the year to June 2008 remains positive. Current expectations are for a CPI increase of between 2.0% and 2.5% for the year ending September 2007. The actual CPI increase will be announced in late October 2007 and will be reflected in rental increases commencing November 2007 and total distributions in February and August 2008.

ALE expects distributions to be 100% tax deferred for FY08 and FY09 and at least 75% tax deferred for FY10 and FY11.

Interest savings achieved through the May 2006 refinancing will continue to have a positive impact on future earnings. Management will continue to work to identify opportunities where interest hedging and savings may be achieved.

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 as a multiple of inflation in terms of income distribution growth. To some extent this growth will be reduced from interest expenses arising from the debt funding of the above mentioned capital management initiatives.

In addition, ALE provides guidance that, on an unchanged portfolio basis, it expects to pay total distributions of at least 33.50 cents per security for the full year ending 30 June 2008. This guidance is based upon the distribution of around 4.00 cents per security of capitalised interest accruing to the balance of the CIB. In future years the Board of ALE will make a decision regarding the distribution of the CIB capitalised interest and ongoing capital distributions having regard to acquisition opportunities, gearing levels and other matters.

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

Andrew Wilkinson
Managing Director

Brendan Howell
BEc, GDipAppFin
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 17 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.

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

Andrew joined ALE in July 2005. Andrew has 17 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 seven 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.

Michael Clarke
BCom, MMan, CA
Finance Manager and Assistant Company Secretary

Michael joined ALE in October 2006.

Michael has over 25 years experience in accounting, taxation and financial management. Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. Michael has also owned and managed his own accounting practice.

Michael has a Bachelor of Commerce degree from the University of New South Wales and a Master of Management from Macquarie Graduate School of Management. Michael is a member of the Institute of Chartered Accountants in Australia.

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.


PROPERTY PORTFOLIO

Our portfolio comprises 103 quality properties strategically located in all mainland states

ALE's focus is on quality properties, those that feature great locations, secure and long term rental covenants and indexing rentals (a selection of these premium properties is featured in the following pages).

Current market conditions are not offering significantly higher returns for high risk or low quality properties. Accordingly, ALE is continuing to only add high quality properties.

NEW SOUTH WALES (including Sydney city and suburban locations) – 12 Hotels – Blacktown Inn Hotel, Blacktown / Brown Jug Hotel, Fairfield / Colyton Hotel, St Marys / Crows Nest Hotel, Crows Nest / Kirribilli Hotel, Milsons Point / Melton Hotel, Auburn / Narrabeen Sands Hotel, Narrabeen / New Brighton Hotel, Manly / Parkway Hotel, Frenchs Forest / Pioneer Tavern, Penrith / Pymble Hotel, Pymble / Smithfield Hotel, Smithfield

QUEENSLAND COAST – 14 Hotels – Anglers Arms Hotel, Southport / Balaclava Hotel, Cairns (Earlville) / Burleigh Heads Hotel, Burleigh Heads / CBX Hotel, Caloundra / Dalrymple Hotel, Garbutt / Edge Hill Tavern, Manoora, Cairns / Kirwan Tavern, Townsville / Miami Hotel, Miami / Mount Pleasant Hotel, North Mackay / Noosa Reef Hotel, Noosa Heads / Palm Beach Hotel, Palm Beach / Pelican Waters Hotel, Pelican Waters / The Vale Hotel and Aikenvale Motel, (Aikenvale), Townsville / Wilsonton Hotel, Wilsonton, Toowoomba

QUEENSLAND (including Brisbane city and suburban locations) – 23 Hotels – Albany Creek Tavern, Albany Creek / Albion Hotel, Albion / Alderley Arms Hotel, Alderley / Breakfast Creek Hotel, Breakfast Creek / Camp Hill Hotel, Camp Hill / Chardons Corner Hotel, Annerly / Edinburgh Castle Hotel, Kedron / Ferny Grove Tavern, Ferny Grove / Four Mile Creek Hotel, Strathpine / Hamilton Hotel, Hamilton / Holland Park Hotel, Holland Park / Kedron Park Hotel, Kedron Park / Lawnton Tavern, Lawnton / Mt Gravatt Hotel, Mt Gravatt / Nudgee Beach Hotel, Nudgee / Oxford 152, Bulimba / Prince of Wales Hotel, Nundah / Racehorse Hotel, Booval / Redland Bay Hotel, Redland Bay / Royal Exchange Hotel, Toowong / Springwood Tavern, Springwood / Stones Corner Tavern, Stones Corner / Sunnybank Hotel, Sunnybank

SOUTH AUSTRALIA (including Adelaide city and suburban locations) – 9 Hotels – Aberfoyle Hub Tavern, Aberfoyle Park / Enfield Hotel, Clearview / Eureka Hotel, Salisbury / Exeter Hotel, Exeter / Finsbury Hotel, Woodville North / Gepps Cross Hotel, Blair Athol / Hendon Hotel, Royal Park / Stockade Tavern, Salisbury / Ramsgate Hotel, Henley Beach

VICTORIA (including Melbourne city and suburban locations) – 42 Hotels – Ashley Hotel, Braybrook / Bayswater Hotel, Bayswater / Berwick Inn, Melbourne / Blackburn Hotel, Blackburn / Blue Bell Hotel, Wendouree / Burvale Hotel, Nunawading / Club Hotel, Ferntree Gully / Cramers Hotel, Preston / Davey's Hotel, Frankston / Deer Park Hotel, Deer Park / Doncaster Inn Hotel, Doncaster / Elsternwick Hotel, Elwood / Eltham Hotel, Eltham / Ferntree Gully Hotel & Motel, Ferntree Gully / Gateway Hotel, Corio / Keysborough Hotel, Keysborough / Mac's Hotel, Melton / Meadow Inn Hotel, Fawkner / Mitcham Hotel, Mitcham / Morwell Hotel, Morwell / Mountain View Hotel, Glen Waverly / Olinda Creek Hotel, Lilydale / Pier Hotel/21st Century, Frankston / Plough Hotel, Mill Park / Prince Mark Hotel, Doveton / Rifle Club Hotel, Williamstown / Rose Shamrock and Thistle Hotel, Reservoir / Royal Exchange Hotel, Traralgon / Royal Hotel (Sunbury), Sunbury / Royal Hotel Essendon, Essendon / Sandbelt Hotel, Moorabbin / Sandown Park Hotel, Noble Park / Sandringham Hotel, Sandringham / Somerville Hotel, Somerville / Stamford Inn Hotel, Rowville / Sylvania Hotel, Campbellfield / Tudor Inn Hotel, Cheltenham / The Vale Hotel (previously the Springvale Hotel), Mulgrave / Victoria Hotel, Shepparton / Village Green Hotel, Glen Waverly / Westmeadows Tavern, Westmeadows / Young & Jackson Hotel, Melbourne

WESTERN AUSTRALIA (including Perth city and suburban locations) – 3 Hotels – Balmoral Hotel, Victoria Park, Perth / Queens Tavern, Highgate / Sail and Anchor Pub Brewery, Fremantle

New South Wales 1

New Brighton Hotel
71 The Corso, Manly, NSW

The New Brighton at Manly is located on Sydney's northern beaches. It is positioned on the Corso pedestrian mall that leads to the world famous Manly Beach and is a popular destination for both the local community as well as a large number of interstate and international tourists. The hotel is an icon in the area and well known for both its Lounge Bar and Shark Bar. It has stood in its place since 1880! See more at www.newbrightonhotel.com.au

2 Victoria

Berwick Inn
1-9 High Street
Berwick, VIC

The Berwick Inn was established in Melbourne's south-eastern suburbs in 1857 as the Border Hotel. The first local police court was held at the hotel in 1865 and it also served as a licensing court. Located in the heart of Berwick, it is today part of Victoria's largest and fastest-growing municipality (the City of Casey). Berwick is about 45km south-east of Melbourne's CBD.

> “At an acquisition yield of 6.3%, the Balmoral Hotel is value accretive”

South Australia

3

Ramsgate Hotel
328 Seaview Road,
Henley Beach, SA

Henley is regarded as the best beach in the Adelaide metropolitan area. The Ramsgate is well located within a short walk of the beach and is also close to the local community amphitheatre and a long beach pier. Henley Beach is around 10km directly east of Adelaide’s CBD and boasts a range of local attractions.See more at www.ramsgatehotel.com.au

4

Western Australia

Balmoral Hotel
Victoria Park, Perth, WA

The Balmoral Hotel was first established as a pub in the 1930s. Over time the property has been significantly expanded and in recent years it has been refurbished throughout and remains one of Perth's landmark pubs. Victoria Park is located just under 5km across the Swan River from the Perth CBD on the Albany Highway.

Queensland

Burleigh Heads Hotel
Burleigh Heads,
Gold Coast, QLD

The original hotel was developed in the 1950s. Foster's, ALH and their development partner completed a comprehensive reconstruction of the hotel in July 2007. ALE owns the hotel and part of the carpark while the development partner owns and is on-selling the adjoining developments. The property is located adjacent to the beach at Burleigh Heads and is less than 15 minutes from Gold Coast Airport.

Queensland

6

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. The hotel is serviced by a ferry providing local residents convenient access to the hotel.

Peter H Warne
BA
Chairman and Non-Executive 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 three other listed entities being ASX Limited, Macquarie Bank Limited and WHK Group Limited.

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
Non-Executive 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
BB (Land Economy), DipLaw
Executive Director

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

James has over 14 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
Non-Executive 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 practiced 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 also the Local Government Remuneration Tribunal. 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. Prior boards include Australia Day Council of NSW, 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.

BOARD OF DIRECTORS

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 2007.

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, Finance Manager 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 Australian Securities Exchange (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, this year it appointed a specialist governance adviser to review the performance of the Board.

The adviser's review is presently being undertaken with a view to identifying any concerns and where possible suggesting enhancements to current practice.

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 Australian Securities Exchange (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.

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

Independent professional advice

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

Ethics and conduct

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

Audit, Compliance and Risk Management Committee

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

During the year the Committee had an independent review completed of ALE's internal controls. The review confirmed that the procedures and controls had been maintained at appropriate levels. The Committee also conducted a tender for external audit services and, after consideration of the corporate governance benefits and potential cost savings, the Committee and Board decided to appoint KPMG to replace PricewaterhouseCoopers as the new external auditor of the Group. Shareholders will be asked to approve the appointment of the new external auditor at the Company's Annual General Meeting on 13 November 2007.

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 that Peter Warne's independence and the confidentiality of information are maintained.

Peter Warne is a director of Macquarie Bank Limited ("Macquarie"). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services or corporate advice provided by Macquarie to ALE.

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 commencing the business day after:
- 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.

All directors and employees are also precluded from buying or selling ALE Securities at anytime while ALE is undertaking an on-market buyback of ALE Securities.

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 recommendation relating to Nomination Committees. 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.

CONTENTS

ALE PROPERTY GROUP ANNUAL FINANCIAL REPORT 30 JUNE 2007

COMPRISING AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST AND ITS CONTROLLED ENTITIES

ABN 92 648 441 429

Top shelf results

The ALE Property Group ("ALE") comprises Australian Leisure and Entertainment Property Trust ("Trust") and its controlled entities including 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 7
1 O'Connell 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 2007.

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)	Independent non-executive	8 September 2003
J P Henderson	Independent non-executive	19 August 2003
H I Wright	Independent non-executive	8 September 2003
A F O Wilkinson (Managing Director)	Executive	16 November 2004
J T McNally	Executive	26 June 2003

Principal activities

The principal activities of ALE consist 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 the Company that occurred during the year.

Matters subsequent to the end of the financial year

On 26 July 2007 ALE completed the purchase of the Balmoral Hotel in Western Australia at a cost of $6,000,000. The acquisition was funded from existing cash reserves.

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 development likely to significantly affect the operations and/or results of ALE.

Distributions and dividends

Trust distributions payable to stapled security holders, based on the number of stapled securities on issue at the respective record dates, for the year were as follows:

	30 June 2007 cents per security	30 June 2006 cents per security	30 June 2007 $'000	30 June 2006 $'000
Final Trust income distribution for the year ending 30 June 2007 to be paid on 31 August 2007	10.57	9.20	9,595	8,354
Final Trust ongoing distribution of fair value adjustments to investment properties for the year ending 30 June 2007 to be paid on 31 August 2007	6.23	–	5,655	–
Interim Trust income distribution for the year ending 30 June 2007 paid on 28 February 2007	9.50	6.80	8,655	6,174
Interim Trust ongoing distribution of fair value adjustments to investment properties for the year ending 30 June 2007 paid on 28 February 2007	6.20	–	5,648	–
Total distribution for the year ending 30 June 2007	**32.50**	**16.00**	**29,553**	**14,528**

No provisions for or payments of Company dividends have been made during the year. (2006: nil)

Review and results of operations

ALE produced a profit of $97.7 million for the year ended 30 June 2007. (30 June 2006: $52.2 million)

The table below separates the cash components of profit that are available for distribution from the non-cash components of profit. The directors believe this will assist stapled security holders in understanding the results of operations and distributions of ALE.

	30 June 2007 $'000	30 June 2006 $'000
Profit after income tax for the year	**97,732**	**52,207**
Plus /(Less)		
Unrealised fair value adjustments to investment properties	(81,617)	(50,256)
Unrealised fair value adjustments to derivatives	(5,933)	(7,028)
Gain on disposal of investment properties	(449)	–
Swap interest net benefit received/receivable (included in fair value adjustments to derivatives)	1,057	3,406
Employee share based payments	3	8
Finance costs – non-cash	5,758	14,813
Income tax expense	1,541	1,428
Adjustments for non-cash items	**(79,640)**	**(37,629)**
Profit after income tax adjusted for non-cash items	**18,092**	**14,578**
Fair value adjustments to investment properties identified for distribution	11,303	–
Total available for distribution	**29,395**	**14,578**
Distribution paid or provided for	29,553	14,528
Available and under/(over) distributed for the year	**(158)**	**50**

	Note	Percentage Increase	30 June 2007 Cents	30 June 2006 Cents
Earnings and distribution per stapled security:				
Basic and diluted earnings	10(a)	86.9%	107.48	57.50
Earnings available for distribution	10(d)	23.9%	19.90	16.06
Income distribution	10(b)	25.4%	20.07	16.00
Distribution of fair value adjustments to investment properties	10(c)	–	12.43	–
Total distribution		103.1%	**32.50**	**16.00**

Summary of financial highlights for the year:

Basic and diluted earnings per stapled security increased by 86.9% compared to the June 2006 year.

Earnings available for distribution before fair value and other non-cash accounting items increased by 23.9% and income distribution increased by 25.4% compared to the June 2006 year.

Total distribution per stapled security increased by 103.1% from 16.00 cents to 32.50 cents compared to the June 2006 year.

Investment property revaluations (excluding development properties) increased portfolio value by 10.6% from $695.5 million to $769.1 million compared to June 2006.

Net assets per stapled security increased by 27.7% from $2.64 to $3.37 compared to June 2006.

Information on directors

Mr Peter Warne BA
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 three other listed entities being ASX Limited, Macquarie Bank Limited and WHK Group Limited.

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 BBldg, 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 LLB, 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 practiced 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 also the Local Government Remuneration Tribunal. 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. Prior boards include Australia Day Council of NSW, 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 BBus, 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.

Mr James McNally BBus (Land Economy), DipLaw
Executive Director

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

James has over 14 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

Brendan Howell BEc, GDipAppFin

Experience and expertise
The company secretary is Mr Brendan Howell. Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006.

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 17 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 administrating listed and unlisted property trusts. For over eight 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 BBus, 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, the Australian Trade Commission, the Australian Sports Anti-Doping Authority and National ICT Australia.

David is a director of Australian Settlements Limited and chairman of it audit and risk committee.

David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and immediate past 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	Resigned
P H Warne	ASX Limited[(a)]	Non-executive	July 2006	
P H Warne	SFE Corporation Limited[(a)]	Non-executive	February 2005	
P H Warne	Macquarie Capital Alliance Group	Non-executive	February 2005	June 2007
P H Warne	WHK Group Limited	Non-executive	May 2007	
P H Warne	Macquarie Bank Limited	Non-executive	July 2007	

(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. SFE was delisted in July 2006. 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:

Director	Special responsibilities
P H Warne	Chairman of the Board. Member of the Audit, Compliance and Risk Management Committee (ACRMC) and of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC. Chair 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 2007
P H Warne	Non-executive Director	650,000	50,000	700,000
J P Henderson	Non-executive Director	55,000	54,000	109,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	68,000	309,650	377,650
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	–	1,500	1,500

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 2007 and the number of meetings attended by each director at the time the director held office during the year were:

	BOARD MEETINGS		ACRMC		REMUNERATION COMMITTEE	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	11	11	7	5	2	2
J P Henderson	11	11	7	7	2	2
H I Wright	11	11	7	7	2	2
A F O Wilkinson	11	11	–	–	–	–
J T McNally	11	11	–	–	–	–
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	7	6	n/a	n/a

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 ALE's executive reward framework are 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 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 stapled security holders
- performance linkage/alignment of executive compensation with outcomes for security holders
- 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 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 employee' 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 2007 the total return on ALE's stapled securities (inclusive of distribution returns) was 77.7% (2006: 39.4%).

Remuneration report (continued)

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 stapled securities.

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 stapled security holders. The maximum currently stands at $400,000 per annum, comprised of $325,000 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
- long-term incentives.

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 end 30 June 2007, the KPIs link to STI plans were based on Company, business and personal objectives. The KPIs required performance in seeking value accretive acquisitions, 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 performance rights over ALE stapled securities is proposed to be provided to the Managing Director, Mr Wilkinson and Acquisitions Manager, Mr Slade. The terms of the performance rights are currently subject to discussions between the Board and Mr Wilkinson and Mr Slade.

The Performance Rights provide the opportunity to receive fully paid stapled securities for nil cost. The receipts of stapled securities is contingent on achieving a performance hurdle over a specified oerformance period. The performance hurdles will also be agreed as part of those discussions. Under ASX listing rules, shareholder approval will be sought for the grant of Performance Rights to the Managing Director, Mr Wilkinson at the Annual General Meeting on 13 November 2007. The grant of Performance Rights to the Acquisitions Manager, Mr Slade, will be completed and announced to the market in compliance with ASX Listing Rules.

Options over 300,000 stapled securities previously issued to Mr Wilkinson fully vested on 10 November 2006 and were exercised on 20 December 2006.

Stapled security options granted

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

Stapled security performance rights granted

No performance rights over unissued stapled securities were granted during the 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 were dependent on the satisfaction of performance conditions as set out in the section headed "Short-term incentives", above. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2006 to 30 June 2007
Details of the remuneration of the Key Management Personnel for the year 30 June 2007 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary & 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	257,314	75,000	–	12,686	2,891	347,891
J T McNally	Executive Director	75,000	–	–	–	–	75,000
B R Howell	Company Secretary	57,500	–	–	–	–	57,500
A J Slade	Investment and Acquisitions Manager	142,793	40,000	–	12,686	–	195,479
M J Clarke	Finance Manager	44,278	15,000	–	3,992	–	63,270
D S Barkas[1]	Group Financial Controller and Company Secretary	97,101	–	18,900	8,963	–	124,964
		918,298	130,000	18,900	54,015	2,891	1,124,104

1 – Mr Barkas resigned effective 20 April 2007

Table 2 Remuneration details 1 July 2005 to 30 June 2006
Details of the remuneration of the Key Management Personnel for the year 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 & 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[1]	Group Financial Controller and Company Secretary	99,803	20,000	26,600	10,477	–	156,880
		894,704	160,000	26,600	49,843	7,993	1,139,140

Cash bonuses
For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the current 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	100	-
A J Slade	100	-
M J Clarke	100	-

Remuneration report (continued)

C Service agreements

On 10 November 2003, the Company entered into a three year service agreement with Managing Director, Mr Wilkinson. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $225,000 for Mr Wilkinson, 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 2003 and November 2007 (except if the Company is subject to takeover, then to February 2007) are also provided. The Board and Mr Wilkinson have agreed to extend the contract to 13 Novermber 2007.

In the event of the termination of Mr Wilkinson's employment contract, amounts may be payable for unpaid accrued entitlements, proportion of bonus 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.

At the annual general meeting of the Company to be held on 13 November 2007, the exact terms of Mr Wilkinson's new contract will be put to a shareholder vote. The terms will be advised to the market upon final agreement but no later than the date the Notice of Meeting is mailed to shareholders.

The employment contracts of Mr Slade and Mr Clarke 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 Compliance Officer of the Company on a continuous basis that may be terminated at any time.

D Equity based compensation

Options over un-issued stapled securities were granted in November 2003 to Mr Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Mr Wilkinson had 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. These options were excercised on 20 December 2006.

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.

As mentioned above, the issue of performance rights to Mr Wilkinson is subject to approval at this year's annual general meeting.

Stapled securities under option

There are no unissued stapled securities under option at the date of this report.

Stapled securities issued on the exercise of options

The following stapled securities were issued during the year ended 30th June 2007 on the exercise of options granted under the company's equity based compensation arrangements. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of securities	Number of securities issued
10 November 2003	$1.036	300,000
		300,000

Insurance of officers

During the financial year, the Company paid a premium of $28,325 (2006: $29,844) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

Environmental regulation

Whilst ALE 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. At two properties ongoing testing and monitoring is being undertaken and minor remediation work is required, however, ALE is indemnified against any remediation amounts likely to be required.

Past employment with external auditor

Mr Wilkinson, Managing Director, previously held a position as a corporate finance 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 their 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:

	30 June 2007 $	30 June 2006 $
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of the financial reports of the Group		
and other audit work required under the Corporations Act 2001		
– in relation to current year	149,437	135,400
– in relation to prior year	28,357	1,500
Total remuneration for audit services	**177,794**	**136,900**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	18,893	26,173
Due diligence – acquisitions not proceeding	–	142,250
Assurance services – internal control review	–	9,000
Total remuneration for other assurance services	**18,893**	**177,423**
Total remuneration for assurance services	**196,687**	**314,323**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	5,300	9,000
Due diligence services	–	223,000
Tax consulting services	38,685	25,135
Total taxation services	**43,985**	**257,135**

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.

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.

Peter H Warne
Director

Sydney
Dated this 21st day of August 2007

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Auditor's Independence Declaration

As lead auditor for the review of Australian Leisure and Entertainment Property Trust for the year ended 30 June 2007, 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 and the entities it controlled during the period.

S J Hadfield

S J Hadfield
Partner

PricewaterhouseCoopers

Sydney
21 August 2007

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Revenue					
Rent from investment properties	2	47,972	45,583	–	–
Interest from investment arrangements	2	1,963	2,003	–	–
Distributions	3	–	–	31,700	25,589
Interest from cash deposits	4	1,430	1,181	35	4
Total revenue		**51,365**	**48,767**	**31,735**	**25,593**
Other income					
Gain on disposal of investment properties	14	449	–	–	–
Fair value adjustments to investment properties	14	81,617	50,256	–	–
Fair value adjustments to derivatives	6	5,933	7,028	(600)	77
Other income		–	600	–	–
Total other income		**87,999**	**57,884**	**(600)**	**77**
Total revenue and other income		**139,364**	**106,651**	**31,135**	**25,670**
Expenses					
Finance costs (cash and non-cash)	5	35,952	47,259	12,723	12,573
Management fees		–	–	2,335	2,276
Queensland land tax expense		1,309	1,151	–	–
Other expenses	8	2,830	4,606	105	100
Total expenses		**40,091**	**53,016**	**15,163**	**14,949**
Profit before income tax		**99,273**	**53,635**	**15,972**	**10,721**
Income tax expense	9	1,541	1,428	–	–
Profit after income tax		**97,732**	**52,207**	**15,972**	**10,721**
Profit attributable to the stapled security holders of ALE		**97,732**	**52,207**	**15,972**	**10,721**
		Cents	Cents	Cents	Cents
Basic and diluted earnings per stapled security	10(a)	107.48	57.50	17.59	11.81
Distribution per stapled security for the year	10(e)	32.50	16.00	32.50	16.00

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

RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITY HOLDERS

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Profit attributable to the stapled security holders of ALE		**97,732**	**52,207**	**15,972**	**10,721**
Adjustments for non-cash items	10	(79,640)	(37,629)	2,378	3,807
Profit after income tax adjusted for non-cash items		**18,092**	**14,578**	**18,350**	**14,528**
Fair value adjustments to investment properties identified for distribution	10(g)	11,303	–	11,303	–
Total available for distribution		**29,395**	**14,578**	**29,653**	**14,528**
Distribution paid or provided for		29,553	14,528	29,553	14,528
Available and undistributed for the year	**10**	**(158)**	**50**	**100**	**–**

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		PARENT ENTITY	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current assets					
Cash and cash equivalents	11	24,765	28,992	1,184	305
Receivables	12	398	1,012	18,167	24,714
Derivatives – interest rate swaps	7	11,514	5,250	170	88
Loans and deposits – investment properties	15	19,576	13,662	–	–
Current tax asset		–	7	–	–
Other	13	1,180	55	12	12
Total current assets		**57,433**	**48,978**	**19,533**	**25,119**
Non-current assets					
Investment properties	14	769,110	695,470	–	–
Loans and deposits – investment properties	15	2,551	8,465	–	–
Investments in controlled entities	17	–	–	210,943	210,943
Plant and equipment	16	51	101	–	–
Deferred tax asset	21	1,001	578	–	–
Total non-current assets		**772,713**	**704,614**	**210,943**	**210,943**
Total assets		**830,146**	**753,592**	**230,476**	**236,062**
Current liabilities					
Payables	18	6,026	7,599	2,973	2,773
Derivatives – interest rate swaps	7	1,475	229	682	–
Provisions	19	15,283	8,415	15,251	8,354
Other	19	31	4,327	–	–
Total current liabilities		**22,815**	**20,570**	**18,906**	**11,127**
Non-current liabilities					
Borrowings	20	497,805	492,065	144,317	142,539
Deferred tax liability	22	3,605	1,648	–	–
Total non-current liabilities		**501,410**	**493,713**	**144,317**	**142,539**
Total liabilities		**524,225**	**514,283**	**163,223**	**153,666**
Net assets		**305,921**	**239,309**	**67,253**	**82,396**
Equity					
Contributed equity	23	80,241	81,787	80,225	81,787
Retained profits	24	225,680	157,501	(12,972)	609
Reserve	25	–	21	–	–
Total equity		**305,921**	**239,309**	**67,253**	**82,396**
Net assets per stapled security		**$3.37**	**$2.64**	**$0.74**	**$0.91**

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

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Total equity at the beginning of the year		**239,309**	**196,812**	**82,396**	**81,787**
Adjustment on adoption of AASB 132 and AASB 139 to retained profits		–	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 year		**239,309**	**201,622**	**82,396**	**86,203**
Profit for the year		97,732	52,207	15,972	10,721
Total recognised income and expenses for the year		**97,732**	**52,207**	**15,972**	**10,721**
Transactions with equity holders in their capacity as equity holders:					
Employee share options		3	8	–	–
Stapled securities issued		311	–	281	–
Stapled securities purchased and cancelled	23	(1,881)	–	(1,843)	
Distribution paid or payable	10	(29,553)	(14,528)	(29,553)	(14,528)
		(31,120)	**(14,520)**	**(31,115)**	**(14,528)**
Total equity at the end of the year		**305,921**	**239,309**	**67,253**	**82,396**

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

		CONSOLIDATED		PARENT ENTITY	
	Note	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash flows from operating activities					
Distributions received		–	–	31,700	25,589
Receipts from tenant and others (inclusive of goods and services tax)		45,375	54,127	–	–
Payments to suppliers and employees (inclusive of goods and services tax)		(8,210)	(8,539)	(2,240)	(1,074)
Interest received – bank deposits and investment arrangements		3,386	3,120	28	4
Interest received – interest rate swap terminations		–	2,729	–	740
Interest received – interest rate swaps		1,057	729	–	
CMBS prepayment interest – May 2006		–	(558)	–	–
Borrowing costs paid		(30,194)	(33,087)	(10,945)	(10,937)
Net cash inflow from operating activities	26	**11,414**	**18,521**	**18,543**	**14,322**
Cash flows from investing activities					
Investment property acquisition		–	(15,000)	–	–
Investment property additions		–	(882)	–	–
Proceeds from disposal of properties		8,598	–	–	–
Payments for plant and equipment		(12)	(28)	–	–
Net cash outflow from investing activities		**8,586**	**(15,910)**	**–**	**–**
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)	–	–
Proceeds from issue of stapled securities		311	–	281	–
Borrowings from/(repayments to) other group entities		–	–	6,555	(1,858)
Stapled securities purchased under buyback programme		(1,881)	–	(1,843)	–
Distributions paid		(22,657)	(12,168)	(22,657)	(12,168)
Net cash outflow from financing activities		**(24,227)**	**6,904**	**(17,664)**	**(14,026)**
Net decrease in cash and cash equivalents		**(4,227)**	**9,515**	**879**	**296**
Cash and cash equivalents at the beginning of the year		28,992	19,477	305	9
Cash and cash equivalents at the end of the year	11	**24,765**	**28,992**	**1,184**	**305**

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

Note 1 Summary of significant accounting policies

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 years presented unless otherwise stated. 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

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Australian Leisure and Entertainment Property Trust comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in ASB 132 Financial Instruments: Disclosure and Presentation.

Early adoption of standards

The Group has elected to apply the revised pronouncement AASB 101 Presentation of Financial Statements (issued October 2006) to annual reporting periods beginning 1 July 2007.

This includes applying the pronoucement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

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.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are believed to be reasonable under the circumstances. Fair value estimates of investment properties and derivatives are particularily reliant on estimates and assumptions.

(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 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 2006 to 30 June 2007.

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 cashflow statement, cash and cash equivalents includes cash at bank, deposits at call and short term money market securities which are readily convertible to cash.

(e) Receivables

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Note 1 Summary of significant accounting policies (continued)

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 cashflow 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 reliably measured. 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.

(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.

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.

Note 1 Summary of significant accounting policies (continued)

(k) Derivatives

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.

(m) Distributions and dividends

Provisions 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 the 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 operating expenses, Queensland land tax and other outgoings are brought to account on an accruals basis. Borrowing costs are recognised using the effective interest rate method.

(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) Shares 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.

(q) Employee benefits (continued)

(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.

(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 effect 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 are 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.

Note 1 Summary of significant accounting policies (continued)

(u) 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 36 provides further information).

(v) New accounting standards and UIG interpretation
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. ALE's assessment of the impact of these new standards and interpretations is set out below.

(i) 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 & 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 yet. 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.

(ii) AASB-I 10 Interim Financial Reporting and Impairment
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Company's financial statements.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 2 Rent from investment properties and interest from investment arrangements					
Rent from investment properties		47,972	45,583	–	–
Interest from investment arrangements		1,963	2,003	–	–
		49,935	**47,586**	**–**	**–**

As at 30 June 2007 the weighted average investment property capitalisation rate used to determine the value of the investment properties was 6.07% (2006: 6.57%) and the weighted average investment arrangements loan interest as a percentage of investment property loans, deposits and costs equated to a yield of 8.99% (2006: 8.65%).

All of ALE's investment property lease rentals and interest from investment arrangements are reviewed to state based CPI annually and are not subject to fixed increases.

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 3 Distributions					
Distributions		–	–	31,700	25,589
		–	**–**	**31,700**	**25,589**

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 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 4 Interest income					
Operating bank and term deposit interest		1,430	1,181	35	4
		1,430	**1,181**	**35**	**4**

As 30 June 2007 the weighted average interest rate earned on cash was 6.12% (2006: 5.83%)

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 5 Finance costs (cash and non-cash)					
Finance costs – cash					
Commercial Mortgage Backed Securities (CMBS) interest	(a)	14,650	20,371	–	–
Capital Indexed Bonds (CIB) interest	(b)	4,436	454	–	–
ALE Notes interest	(c)	10,898	10,898	10,898	10,898
Other expenses	(d)	210	165	47	39
		30,194	**31,888**	**10,945**	**10,937**
Finance costs – non-cash					
CIB interest capitalised	(e)	3,825	527	–	–
Amortised costs – CMBS retired May 06	(f)	–	2,789	–	–
Amortised costs – CMBS/CIB issued May 06	(g)	155	21	–	–
Amortised costs – ALE Notes	(h)	1,337	1,227	1,337	1,227
Amortised costs – ALE Notes premium	(i)	441	409	441	409
		5,758	**4,973**	**1,778**	**1,636**
Cash and non-cash refinancing costs					
Pre May 2006 CMBS prepayment break costs		–	558	–	–
Write-off unmortised balance of prepaid costs – refinanced pre May 2006 CMBS		–	9,840	–	–
		–	10,398	–	–
Finance costs (cash and non-cash)		**35,952**	**47,259**	**12,723**	**12,573**
Net cash costs relating to financing and interest rate derivatives					
Finance costs – cash		30,194	31,888	10,945	10,937
A net swap interest benefit is included in fair value adjustments to derivatives (Note 6)		(1,057)	(3,406)	–	(2,248)
	(j)	29,137	28,482	10,945	8,689

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

(a) Variable rate interest expense on CMBS issued during May 2006, with a scheduled maturity of November 2011, Note 5(j) provides further information.

(b) Fixed rate interest expense of 3.40% (including credit margin) on indexing CIB balance issued during May 2006 with a scheduled maturity of November 2023. Expense is recognised on an effective rate basis.

(c) Fixed rate interest expense of 7.265% on ALE Notes issued during November 2003 with a scheduled maturity of September 2011. Expense is recognised on an effective rate basis.

(d) Other borrowing costs such as rating fees and liquidity fees.

(e) CIB capitalised interest is calculated with reference to prevailing inflation rates. Interest that is capitalised is added to the balance of the CIB to calculate interest payable in future periods. The capitalised interest is payable by ALE on maturity of the CIB which is scheduled for November 2023.

(f) Establishment costs of CMBS retired during May 2006 are fully amortised.

(g) Establishment costs of CMBS issued during May 2006 are amortising over the period of May 2006 to May 2011 on an effective rate basis.

(h) Establishment costs of ALE Notes issued during November 2003 are amortising over the period of November 2003 to September 2011 on an effective rate basis.

(i) Premium of $3.750 million payable on maturity of ALE Notes is amortising over the period of November 2003 to September 2011 on an effective rate basis.

(j) Variable rate CMBS borrowings totalling $225 million are 100% swapped to fixed interest rates by interest rate swaps as at balance date to November 2009. Further interest rate swaps are in place beyond November 2009. During the year ended 30 June 2007 $1.057 million of net swap interest was received/receivable.

In reconciling profit after tax to amounts available for distribution to stapled security holders, the non-cash finance costs have been added back thereby recognising that their non-cash nature increases the amounts available for distribution. (Note 10 contains further information)

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 6 Current year fair value adjustments to derivatives					
Interest rate swaps fair value adjustments net gain		5,018	3,648	(600)	(2,171)
Swap interest net benefit received/receivable		1,057	3,406	–	2,248
Swap net interest receivable at balance date		(142)	(26)	–	–
		5,933	**7,028**	**(600)**	**77**

Swap interest net benefit received/receivable less swap interest receivable at balance date is equal to swap interest net benefit actually received during the year. This amount represents a realisation of fair value and is additional to the movement in the unrealised fair value of swaps.

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 7 Derivative assets/(liabilities)					
Asset		11,514	5,250	170	88
(Liability)		(1,475)	(229)	(682)	–
Net asset/(liability)		**10,039**	**5,021**	**(512)**	**88**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer note 36).

Interest rate swap contracts

Borrowings of the Group bear an average variable interest rate of 6.598%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover 100% of variable rate borrowings (2006 – 100%) of the borrowings' principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.685% and 5.900% (2006 – 5.685% and 5.900%%) and the variable rates are between 0.20% and 0.34% above the BBSW which at balance date was 6.35% (2006 – 5.89%).

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $
Less than 1 year	–	–
1 – 2 years	–	–
2 – 3 years	80,000,000	–
3 – 4 years	30,000,000	80,000,000
4 – 5 years	–	30,000,000
Greater than 5 years	115,000,000	115,000,000
	225,000,000	225,000,000

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The average weighted term of the interest rate hedges in relation to the total borrowings of the Group is 7.11 years.

The gain or loss from remeasuring the hedging instruments at fair value is taken directly to the profit and loss statement. In the year ended 30 June 2007 a gain of $5,018,000 was transferred to the profit and loss (2006: gain of $3,648,000).

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 8 Other expenses				
Accounting services	34	69	–	–
Acquisition proposal due diligence	97	2,189	–	–
Annual Reports	66	13	–	–
Auditors' remuneration	178	137	–	–
Corporate advisory services	105	(29)	–	–
Depreciation expense – plant & equipment	63	67	–	–
Insurance	79	85	–	–
Legal fees	91	58	–	–
Occupancy costs	76	75	–	–
Other expenses	320	345	1	1
Property condition and compliance audits	98	106	–	–
Registry fees	74	67	–	–
Salaries, fees and related costs	1,340	1,233	–	–
Staff training	12	12	–	–
Taxation services	45	31	–	–
Travel and accommodation	30	32	–	–
Trustee and custodian fees	122	116	104	99
	2,830	**4,606**	**105**	**100**

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 9 Income tax					
Current tax expense/(benefit)		7	(7)	–	–
Deferred tax expense		1,534	1,435	–	–
		1,541	**1,428**	**–**	**–**
Deferred income tax expense included in income tax expense comprises:					
Decrease/(increase) in deferred tax asset	21	(423)	(213)	–	–
(Decrease)/increase in deferred tax liabilities	22	1,957	1,648	–	–
		1,534	1,435	–	–
Reconciliation of income tax expense to prima facie tax payable					
Profit before the income tax expense		99,273	53,635	15,972	10,721
(Less:) Profit attributable to the entities not subject to tax		(94,034)	(48,908)	(15,972)	(10,721)
Profit before income tax expense subject to tax		5,239	4,727	–	–
Tax at the Australian tax rate 30% (2005:30%)		1,572	1,418	–	–
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Expenditure held on balance sheet		–	(9)	–	–
Share based payments		1	2	–	–
Entertainment		1	1	–	–
Under provision in prior years		(33)	16	–	–
Income tax expense		**1,541**	**1,428**	**–**	**–**
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 profit after tax to amounts available for distribution:					
Profit after income tax for the year	(a)	**97,732**	**52,207**	**15,972**	**10,721**
Plus /(Less)					
Profit on sale of investment properties		(449)	–	–	–
Fair value adjustments to investment properties		(81,617)	(50,256)	–	–
Fair value adjustments to derivatives		(5,933)	(7,028)	600	(77)
Swap interest net benefit received/receivable (included in fair value adjustments to derivatives)		1,057	3,406	–	2,248
Employee share based payments		3	8	–	–
Finance costs – non-cash		5,758	4,973	1,778	1,636
Refinancing costs – non-cash		–	9,840	–	–
Income tax expense		1,541	1,428	–	–
Adjustments for non-cash items		**(79,640)**	**(37,629)**	**2,378**	**3,807**
Profit after income tax adjusted for non-cash items	(b)	**18,092**	**14,578**	**18,350**	**14,528**
Plus /(Less)					
Fair value adjustments to investment properties identified for distribution	(c)	11,303	–	11,303	–
Total available for distribution	(d)	**29,395**	**14,578**	**29,653**	**14,528**
Distribution paid or provided for	(e)	29,553	14,528	29,553	14,528
Available and under/(over) distributed for the year	(f)	**(158)**	**50**	**100**	**–**

Note 10 Distributions (continued)

	Note	CONSOLIDATED 2007 Stapled Securities On Issue	CONSOLIDATED 2006 Stapled Securities On Issue	PARENT ENTITY 2007 Stapled Securities On Issue	PARENT ENTITY 2006 Stapled Securities On Issue
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security at (a) and (b) below.	31	90,928,711	90,800,100	90,928,711	90,800,100
Stapled securities on issue at the end of the year used in calculating distribution per stapled security at (e) below.	31	90,660,614	90,800,100	90,660,614	90,800,100
		Cents	Cents	Cents	Cents
(a) Basic and diluted earnings per stapled security		107.48	57.50	17.59	11.81
(b) Basic and diluted earnings per stapled security before fair value adjustments, non cash amortisation of borrowing costs and prepaid advisory fees		19.90	16.06	20.21	16.00
(c) Fair value adjustments to investment properties identified for distribution	(g)	12.23	–	12.23	0.00
(d) Total available for distribution		32.13	16.06	32.44	16.00
(e) Distribution per stapled security		32.50	16.00	32.50	16.00
(f) Available and under/(over) distributed for the year		(0.37)	0.06	(0.06)	0.00

(g) **Fair value adjustments to investment properties identified for distribution**
For year ending 30 June 2007 ALE has resolved to distribute 50% of the component of the investment property valuation increases that are directly attributable to increases in net rent resulting from annual consumer price index (CPI) rent reviews (as opposed to movement attributable to capitalisation rates). CPI rent reviews directly attributed to the valuation increase were $22.4 million as at 31 December 2006. 50% of this amount, being $11.3 million, or 12.43 cents per stapled security, is to be paid with each of the December 2006 (6.20 cents per stapled security) and June 2007 distributions (6.23 cents per stapled security).

It is ALE's intention that the payment of capital distributions will be at least 12.40 cents per stapled security as an ongoing policy having due regard to ALE's capital structure and potential acquisition opportunities with the objective of preserving ALE's gearing levels.

Note 11 Cash assets and cash equivalents

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Cash at bank and in hand	10,665	4,783	416	5
Deposits at call	7,832	18,709	–	300
Cash reserve	6,268	5,500	768	–
	24,765	**28,992**	**1,184**	**305**

The cash reserve of $5.5 million is required to be held as a cash reserve as part of the terms of the CMBS and CIB issues in order to provide liquidity for CMBS and CIB obligations to scheduled maturities of 20 May 2011 and 20 November 2023 respectively and $0.768 million of deposits at call is required to be held as collateral for certain Trust interest rate derivatives.

During the year ended 30 June 2007 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 2007 the weighted average interest rate on all cash assets was 5.99% (2006: 5.83%).

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 12 Receivables				
Accounts receivable	259	880	–	–
Interest receivable	139	132	8	–
Loan to related party – the Company	–	–	1,671	699
Loan to related party – the Sub Trust	–	–	16,488	24,015
	398	**1,012**	**18,167**	**24,714**

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

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 13 Other				
Current				
Other prepaid expenses	1,180	55	12	12
	1,180	**55**	**12**	**12**
Note 14 Investment properties				
Investment properties – at fair value	**769,110**	**695,470**	**–**	**–**

Reconciliation

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

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Carrying amount at beginning of the year	695,470	625,000	–	–
Additions	173	–	–	–
Acquisitions	–	20,214	–	–
Disposals – at December 2006 fair value	(8,150)	–	–	–
Net gain from fair value adjustments	81,617	50,256	–	–
Carrying amount at the end of the year	**769,110**	**695,470**	**–**	**–**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair Value at 30 June 2007 $'000	Fair Value at 30 June 2006 $'000	Fair Value gains/ (losses) 30 June 2007 $'000
New South Wales						
Blacktown Inn, Blacktown	Nov-03	5,472	B	8,080	7,100	978
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	B	8,350	7,300	1,048
Colyton Hotel, Colyton	Nov-03	8,208	B	12,060	10,600	1,457
Crows Nest Hotel, Crows Nest	Nov-03	8,772	B	12,920	11,400	1,519
Kirribilli Hotel, Kirribilli	Nov-03	5,849	B	8,360	7,300	1,058
Melton Hotel, Auburn	Nov-03	3,114	A	4,400	3,900	498
New Brighton Hotel, Manly	Nov-03	8,867	A	12,710	11,200	1,508
Pioneer Tavern, Penrith	Nov-03	5,849	A	8,170	7,600	568
Pymble Hotel, Pymble	Nov-03	2,830	A	3,730	3,450	279
Smithfield Tavern, Smithfield	Nov-03	4,151	B	6,260	5,500	761
Total New South Wales properties		**58,772**		**85,040**	**75,350**	**9,674**
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	A	11,270	10,500	768
Albion Hotel, Albion	Nov-03	4,434	A	6,790	5,800	988
Alderley Arms Hotel, Alderley	Nov-03	3,303	A	4,870	4,300	569
Anglers Arms Hotel, Southport	Nov-03	4,434	B	6,650	5,700	948
Balaclava Hotel, Cairns	Nov-03	3,304	A	4,680	4,100	577
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	A	13,700	12,000	1,700
Camp Hill Hotel, Camp Hill	Nov-03	2,265	B	3,440	2,900	538
CBX Caloundra Hotel, Caloundra	Oct-05	4,331	B	6,580	5,500	1,080
Chardons Corner Hotel, Annerly	Nov-03	1,416	B	2,030	1,800	228
Dalrymple Hotel, Townsville	Nov-03	3,208	A	4,560	4,050	508
Edge Hill Tavern, Manoora	Nov-03	2,359	A	3,750	3,100	649
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	B	4,570	3,900	668
Ferny Grove Tavern, Ferny Grove	Nov-03	5,849	B	8,320	7,100	1,219
Four Mile Creek, Strathpine	Jun-04	3,672	B	5,560	4,900	660
Hamilton Hotel, Hamilton	Nov-03	6,604	A	8,490	7,700	788
Holland Park Hotel, Holland Park	Nov-03	3,774	B	5,970	5,100	868
Imperial Hotel, Beenleigh	Nov-03	2,454	C	–	3,200	148
Kedron Park Hotel, Kedron Park	Nov-03	2,265	A	3,250	2,900	349
Kirwan Tavern, Townsville	Nov-03	4,434	B	6,830	5,750	1,078
Lawnton Tavern, Lawnton	Nov-03	4,434	A	6,270	5,400	869
Miami Tavern, Miami	Nov-03	4,057	B	6,440	5,400	1,038
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	B	4,780	4,000	778
Mount Pleasant Tavern, Mackay	Nov-03	1,794	B	2,740	2,300	439
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	A	10,710	9,700	1,010
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	B	4,570	3,900	668
Oxford 152, Bulimba	Nov-03	5,000	B	7,320	6,300	1,018
Palm Beach Hotel, Palm Beach	Nov-03	6,886	B	10,400	8,800	1,599
Pelican Waters, Caloundra	Jun-04	4,237	B	6,150	5,200	950
Petrie Hotel, Petrie	Nov-03	1,699	C	–	2,150	48
Prince of Wales Hotel, Nundah	Nov-03	3,397	B	5,060	4,300	758
Racehorse Hotel, Booval	Nov-03	1,794	B	2,740	2,600	138
Redland Bay Hotel, Redland Bay	Nov-03	5,189	B	7,600	6,500	1,098
Royal Exchange Hotel, Toowong	Nov-03	5,755	B	8,550	7,200	1,349
Springwood Hotel, Springwood	Nov-03	9,150	A	12,860	11,400	1,458
Stones Corner Hotel, Stones Corner	Nov-03	5,377	A	8,420	7,500	918
Sunnybank Hotel, Sunnybank	Nov-03	8,208	B	12,020	10,200	1,818
Vale Hotel, Townsville	Nov-03	5,661	B	8,630	7,300	1,328
Wilsonton Hotel, Toowoomba	Nov-03	4,529	B	6,430	5,500	931
Woree Tavern, Cairns	Nov-03	1,039	C	–	1,250	(2)
Total Queensland properties		**171,583**		**243,000**	**217,200**	**32,542**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair Value at 30 June 2007 $'000	Fair Value at 30 June 2006 $'000	Fair Value gains/ (losses) 30 June 2007 $'000
South Australia						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	B	4,730	4,200	528
Enfield Hotel, Clearview	Nov-03	2,454	A	3,600	3,350	248
Eureka Tavern, Salisbury	Nov-03	3,303	B	4,720	4,200	518
Exeter Hotel, Exeter	Nov-03	1,888	B	2,780	2,500	278
Finsbury Hotel, Woodville North	Nov-03	1,605	B	2,320	2,100	218
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	B	3,280	2,900	378
Hendon Hotel, Royal Park	Nov-03	1,605	A	2,370	2,150	218
Ramsgate Hotel, Henley Beach	Nov-03	3,774	A	5,580	5,000	578
Stockade Tavern, Salisbury	Nov-03	4,435	B	6,580	5,900	679
Total South Australian properties		**24,538**		**35,960**	**32,300**	**3,643**
Victoria						
Ashley Hotel, Braybrook	Nov-03	3,963	B	5,890	5,400	488
Bayswater Hotel, Bayswater	Nov-03	9,905	B	14,760	13,400	1,358
Berwick Inn, Berwick	Feb-06	15,888	A	17,660	16,000	1,655
Blackburn Hotel, Blackburn	Nov-03	9,433	B	13,780	12,600	1,179
Blue Bell Hotel, Wendouree	Nov-03	1,982	B	3,190	2,900	288
Burvale Hotel, Nunawading	Nov-03	9,717	B	15,130	13,800	1,327
Club Hotel – FTG, Ferntree Gully	Nov-03	5,095	A	7,450	6,900	549
Cramers Hotel, Preston	Nov-03	8,301	A	13,670	12,200	1,468
Daveys, Frankston	Nov-03	2,548	A	4,180	3,600	578
Deer Park Hotel, Deer Park	Nov-03	6,981	B	10,810	9,800	1,009
Doncaster Inn, Doncaster	Nov-03	12,169	A	17,420	16,200	1,217
Elsternwick Hotel, Elwood	Nov-03	3,303	B	4,990	4,500	488
Eltham Hotel, Eltham	Nov-03	4,717	B	7,430	6,800	629
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	A	7,930	7,400	527
Gateway Hotel, Corio	Nov-03	3,114	B	5,130	4,650	479
Keysborough Hotel, Keysborough	Nov-03	9,622	B	14,090	12,800	1,288
Mac's Melton Hotel, Melton	Nov-03	6,886	B	9,950	9,100	848
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	B	11,730	10,700	1,028
Mitcham Hotel, Mitcham	Nov-03	8,584	B	12,470	11,400	1,069
Morwell Hotel, Morwell	Nov-03	1,511	A	2,420	2,300	118
Mountain View Hotel, Glen Waverly	Nov-03	7,169	A	11,730	10,500	1,228
Olinda Creek Hotel, Lilydale	Nov-03	3,963	B	5,780	5,300	479
Pier Hotel, Frankston	Nov-03	8,019	A	11,400	10,600	797
Plough Hotel, Mill Park	Nov-03	8,490	B	12,330	11,200	1,128
Prince Mark Hotel, Doveton	Nov-03	9,810	A	14,500	13,500	999
Rifle Club Hotel, Williamstown	Nov-03	2,737	B	4,450	4,100	348
Rose Shamrock & Thistle, Reservoir	Nov-03	2,642	B	4,020	3,700	318
Royal Hotel – Essendon, Essendon	Nov-03	4,340	B	6,460	5,900	559
Royal Exchange, Traralgon	Nov-03	2,171	A	3,500	3,300	198
Royal Hotel – Sunbury, Sunbury	Nov-03	3,114	B	4,520	4,100	418
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	B	16,890	15,400	1,488
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	B	9,200	8,400	798
Sandringham Hotel, Sandringham	Nov-03	4,529	B	7,330	6,700	628
Somerville Hotel, Somerville	Nov-03	2,642	A	4,360	4,000	359
Stamford Inn, Rowville	Nov-03	12,733	B	18,660	17,000	1,659
Sylvania Hotel, Campbellfield	Nov-03	5,377	A	7,850	7,300	548
Tudor Inn, Cheltenham	Nov-03	5,472	B	8,410	7,500	708
The Vale Hotel, Mulgrave	Nov-03	5,566	B	8,180	7,700	678
Victoria Hotel, Shepparton	Nov-03	2,265	B	3,780	3,450	329
Village Green Hotel, Mulgrave	Nov-03	12,546	A	18,170	16,200	1,969
Westmeadows Tavern, Westmeadows	Nov-03	2,737	B	4,140	3,800	339
Young & Jacksons, Melbourne	Nov-03	6,132	B	8,410	7,700	709
Total Victorian properties		**266,174**		**394,150**	**359,800**	**34,274**

Note 14 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair Value at 30 June 2007 $'000	Fair Value at 30 June 2006 $'000	Fair Value gains/ (losses) 30 June 2007 $'000
Western Australia						
Queens Tavern, Highgate	Nov-03	4,812	A	6,880	5,860	1,018
Sail & Anchor Hotel, Freemantle	Nov-03	3,114	B	4,080	3,610	468
Wanneroo Villa Tavern, Wanneroo	Nov-03	1,134	C	–	1,350	(2)
Total Western Australian properties		9,060		10,960	10,820	1,484
Total investment properties		**530,127**		**769,110**	**695,470**	**81,617**

Reconciliation of fair value gains/losses for year ending 30 June 2007

Fair value as 30 June 2006	695,470
Disposals during the year ended 30 June 2007	(8,150)
Additions during year ended 30 June 2007	173
Carrying amount before 30 June 2007 valuations	687,493
Fair value at 30 June 2007	769,110
Fair value gain for year ended 30 June 2007	**81,617**

Valuation type and date

A Independent valuations conducted during April 2007 with a valuation date of 30 June 2007.
B Directors' valuations conducted May 2007 with a valuation date of 30 June 2007.
C Property sold in June 2007 and therefore no revaluation done as at June 2007.

Investment properties

All investment properties are freehold and 100% owned by ALE and are comprised of land, buildings and fixed improvements. The plant and equipment, liquor, gaming licences and certain development rights are held 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 as at 30 June 2007

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 35 properties were independently valued as at 30 April 2007 and reconfirmed at 30 June 2007. The independent valuations are identified as "A" 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 as at 30 June 2007

35 of ALE's portfolio of 99 completed properties (an additional three property acquisitions remain subject to completion, refer to Note 15) were independently valued as at 30 April 2007. The remaining 64 completed properties were subject to directors' valuations as at 31 May 2007, identified as "B". The directors' valuations were determined by taking each property's net rent as at 31 May 2007 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 30 April 2007 independent valuations on a state by state basis.

Call option hotels

ALE and its sole tenant, Australian Leisure and Hospitality Group Limited ("ALH") entered into deeds granting call options during November 2003 over four of ALE's properties being the Imperial Hotel, Petrie Hotel and Woree Tavern all located in Queensland and the Wanneroo Villa Tavern located in Western Australia. The call options gave ALH the right to acquire these properties from ALE at market value at the date that the call options were exercised. On 28th February 2007 ALH exercised the call options. The four properties were sold on 22 June 2007 for a total value of $8,620,000 resulting in a net profit on disposal, after sale costs, of $449,000. Since the call option hotels were acquired for $6,326,000 in November 2003, the fair value gains have totalled $2,294,000, being 36% of the acquisition prices.

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 2007, three of the properties are yet to be acquired (Note 15 contains further information).

Note 15 Loans and deposits – investment properties

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current	**19,576**	**13,662**	**–**	**–**
Non-Current	**2,551**	**8,465**	**–**	**–**

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 (Note 14 contains further information). The loan amounts are classified as current as they are repayable at settlement/completion of development.

As at 30 June 2007

Property	Expected acquisition quarter ending $'000	Deposits (10% of purchase price) $'000	Loans (90% of purchase price) $'000	Costs $'000	Total acquisition costs $'000
Current					
Burleigh Heads Hotel, Burleigh Heads	Dec 2007	–	5,914	–	5,914
Narrabeen Sands Hotel, Narrabeen	Dec 2007	–	7,914	–	7,914
Parkway Hotel, Frenchs Forest, NSW	Dec 2007	–	5,748	–	5,748
		–	**19,576**	**–**	**19,576**
Non-current					
Burleigh Heads Hotel, Burleigh Heads	Dec 2007	658	–	114	772
Narrabeen Sands Hotel, Narrabeen	Dec 2007	879	–	152	1,031
Parkway Hotel, Frenchs Forest, NSW	Dec 2007	638	–	110	748
		2,175	**–**	**376**	**2,551**
Total loans and deposits – investment properties		**2,175**	**19,576**	**376**	**22,127**
Total investment properties (note 14)					769,110
Total investment properties and loans and deposits – investment properties					**791,237**

As at 30 June 2006

Property	Expected acquisition quarter ending $'000	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**

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 2007 the annual interest payable was $1,990,000 (June 2006: $1,914,000). This equates to a weighted average interest rate of 10.17% (June 2006: 9.78%) on the loan amount of $19,576,000 (June 2006: $20,723,000) and a weighted average interest rate of 8.99% (June 2006: 8.80%) on the purchase price of $22,898,000 (June 2006: $22,898,000).

Under the conditional sale contracts ALE is to 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 are to be undertaken on each of the developments when complete and, if necessary, the purchase price is to be adjusted down to reflect the value. If the completion valuation results in an increase in value there is to be no adjustment to the purchase price. ALE and members of the 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. Upon completion of the Burleigh Heads and Narrabeen properties ALE becomes entitled to pre-agreed rental income totalling $1,314,693 per annum.

Note 15 Loans and deposits – investment properties (continued)

The Parkway development has not commenced. ALE, ALH and Foster's Group Limited are in discussions to resolve this issue. ALE's position is protected by the contractual agreements currently in place. Details of those agreements are set out in ALE's 2003 product disclosure statement.

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Note 16 Plant and equipment				
Furniture, fittings and equipment				
At Cost	63	59	–	–
Accumulated depreciation	(34)	(25)	–	–
	29	34	–	–
Software				
At Cost	80	72	–	–
Accumulated depreciation	(60)	(36)	–	–
	20	36	–	–
Office fitout				
At Cost	85	85	–	–
Accumulated depreciation	(83)	(54)	–	–
	2	31	–	–
Total				
At Cost	228	216	–	–
Accumulated depreciation	(177)	(115)	–	–
Net book value	**51**	**101**	**–**	**–**
Movement in Plant and Equipment:				
Furniture, fittings and equipment				
Net book value at the beginning of the year	34	46	–	–
Additions	4	–	–	–
Depreciation charge	(9)	(12)	–	–
Net book value at the end of the year	29	34	–	–
Software				
Net book value at the beginning of the year	36	32	–	–
Additions	8	29	–	–
Depreciation charge	(24)	(25)	–	–
Net book value at the end of the year	20	36	–	–
Office fitout				
Net book value at the beginning of the year	31	61	–	–
Additions	–	–	–	–
Depreciation charge	(29)	(30)	–	–
Net book value at the end of the year	2	31	–	–
Total				
Net book value at the beginning of the year	101	139	–	–
Additions	12	29	–	–
Disposals	–	–	–	–
Depreciation charge	(62)	(67)	–	–
Net book value at the end of the year	**51**	**101**	**–**	**–**
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.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 18 Payables				
Trade creditors	62	254	–	–
Interest accrued on CMBS	1,708	1,355	–	–
Interest accrued on CIB	506	492	–	–
Interest accrued on ALE Notes	2,747	2,747	2,747	2,747
Other accruals	1,003	2,751	226	26
	6,026	**7,599**	**2,973**	**2,773**
Note 19 Provisions and other liabilities				
(a) Provisions				
Provision for distribution	15,251	8,354	15,251	8,354
Provision for annual leave	32	46	–	–
Provision for superannuation	–	15	–	–
	15,283	**8,415**	**15,251**	**8,354**
(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	31	31	–	–
	31	**4,327**	**–**	**–**
Note 20 Borrowings				
Non-current borrowings	**497,805**	**492,065**	**144,317**	**142,539**
Comprising (net of amortised costs):				
CMBS – issued May 2006	224,381	224,251	–	–
CIB – issued May 2006	129,107	125,275	–	–
ALE Notes – issued November 2003	144,317	142,539	144,317	142,539
	497,805	**492,065**	**144,317**	**142,539**
CMBS				
Opening balance	224,251	330,000	–	–
Issued February 2006	–	15,000	–	–
Repaid May 2006	–	(345,000)	–	–
Issued May 2006	–	225,000	–	–
Prepaid borrowing costs capitalised	(7)	(768)	–	–
Amortisation of prepaid borrowing costs capitalised	137	19	–	–
Closing balance	**224,381**	**224,251**	**–**	**–**
CIB				
Opening balance	125,275	–		
Issued May 2006	–	125,873	–	–
Capitalised interest	3,825	527	–	–
Prepaid borrowing costs capitalised	(11)	(1,128)	–	–
Amortisation of prepaid borrowing costs capitalised	18	3	–	–
Closing balance	**129,107**	**125,275**	**–**	**–**
ALE Notes				
Opening balance	142,539	141,731	142,539	141,731
Prepaid borrowing costs	–	–	–	–
Amortisation of prepaid borrowing costs capitalised	1,337	605	1,337	605
Premium payable at maturity – accrued	441	203	441	203
Closing balance	**144,317**	**142,539**	**144,317**	**142,539**

Note 20 Borrowings (continued)

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

$225.0 million of CMBS and $125.9 million of CIB borrowings were issued in May 2006 and are secured by, among other things, first ranking real property mortgages over all but the four call option properties. The CMBS and CIB have scheduled maturity dates of 20 May 2011 and 20 November 2023 respectively. $150.0 million of 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 maturity date.

ALE's $225.0 million of CMBS variable interest rate exposure is fully hedged (100% fixed) up until November 2009. The hedges extend until November 2013. This has been achieved by the use of variable rate borrowings swapped to fixed rates by using interest rate swaps.

Note 5 provides further information on ALE's borrowings.

Assets pledged as securities
The ALE Notes are unsecured. The carrying amounts of assets pledged as security for CMBS borrowings, CIB borrowings and interest rate derivatives are:

	CONSOLIDATED	
	2007 $'000	2006 $'000
Current assets		
Cash reserve	**6,268**	**5,500**
Non-current assets		
Total investments properties	769,110	695,470
Less: Properties not subject to mortgages		
Imperial Hotel, Beenleigh, QLD	–	(3,200)
Petrie Hotel, Petrie, QLD	–	(2,150)
Woree Tavern, Cairns, QLD	–	(1,250)
Wanneroo Villa Tavern, Wanneroo, WA	–	(1,350)
Properties subject to first mortgages	**769,110**	**687,520**
Total assets	**775,378**	**693,020**

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 CIB borrowings, the CMBS and CIB holders are also entitled to recover the amount unpaid from the business assets of ALH.

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Note 21 Deferred tax asset				
Deferred tax asset	**1,001**	**578**	**–**	**–**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivatives – interest rate swaps	238	71	–	–
Employee benefits	9	19	–	–
Acquisition proposal due diligence costs (2006)	286	381	–	–
CIB amortisation	–	28	–	–
Other accruals	107	79		
Tax losses	361	–	–	–
Net deferred tax assets	**1,001**	**578**	**–**	**–**
Movements:				
Opening balance at 1 July 2006	578	99	–	–
Change on adoption of AASB 132 and AASB 139	–	266	–	–
Credited / (charged) to the income statement (note 9)	423	213	–	–
Credited / (charged) to equity	–	–	–	–
Closing balance at 30 June 2007	**1,001**	**578**	**–**	**–**
Deferred tax assets to be recovered within 12 months	572	196	–	–
Deferred tax assets to be recovered after more than 12 months	429	382	–	–
	1,001	**578**	**–**	**–**

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 22 Deferred tax liability				
Deferred tax liability	**3,605**	**1,648**	**–**	**–**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivatives – interest rate swaps	3,403	1,575	–	–
Interest income earned but not received	14	15	–	–
CIB interest amortisation	110	47	–	–
CIB and CMBS amortisation of costs	78	10		
Prepaid expense	–	1	–	–
Net deferred tax liability	**3,605**	**1,648**	**–**	**–**
Movements:				
Opening balance at 1 July 2005	1,648	–	–	–
Charged / (credited) to income statement (note 9)	1,957	1,648	–	–
Closing balance at 30 June 2006	**3,605**	**1,648**	**–**	**–**
Deferred tax liabilities to be recovered after more than 12 months	3,591	1,632	–	–
Deferred tax liabilities to be recovered within 12 months	14	16	–	–
	3,605	**1,648**	**–**	**–**
Note 23 Contributed equity				
Balance at the beginning of the period	81,787	81,787	81,787	81,787
Exercise on 20 December 2006 of options over 300,000 stapled securities at a price of $1.036 each.				
Proceeds received	311	–	281	–
Transfer from reserve – share based payments	24	–	–	–
Stapled securities cancelled as part of on-market security buy back programme	(1,881)	–	(1,843)	–
	80,241	**81,787**	**80,225**	**81,787**

Movements in the number of fully paid stapled securities during the period were as follows:	Number of Stapled Securities	Number of Stapled Securities	Number of Units	Number of Units
Stapled securities on issue:				
Balance at the beginning of the period	90,800,100	90,800,100	90,800,100	90,800,100
Issue of stapled securities	300,000	–	300,000	–
Stapled securities cancelled upon buyback	(439,486)	–	(439,486)	–
Balance at the end of the period	**90,660,614**	**90,800,100**	**90,660,614**	**90,800,100**

Stapled securities
90,800,100 fully paid ALE stapled securities were issued at $1.00 per stapled security during November 2003 and 300,000 stapled securities were issued at $1.036 per stapled security on the exercise of options on 20 December 2006.

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.

No income voting units (NIVUS)
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 9.37% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company and the Trust financial reports but are not disclosed in the ALE Property Group financial report as they are eliminated on consolidation.

On Market Stapled Security buyback
On 2 May 2007 the company announced its intention to buy back up to 9,080,010 stapled securities on-market. Between 2 May 2007 and 30 June 2007 the company purchased and cancelled 439,486 stapled securities. Contributed equity was reduced by the total cost of $1,881,000.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Note 24 Retained profits				
Balance at the beginning of the year	157,501	115,012	609	–
Adjustment on adoption of AASB 132 and AASB 139	–	4,544	–	4,416
Deferred tax asset recognised on adoption of AASB 132 and AASB 139	–	266	–	–
Profit attributable to stapled security holders	97,732	52,207	15,972	10,721
Total available for appropriation	255,233	172,029	16,581	15,137
Distributions provided for or paid during the year	(29,553)	(14,528)	(29,553)	(14,528)
Balance at the end of the year	**225,680**	**157,501**	**(12,972)**	**609**
Retained earnings balance at the end of the year is comprised of the following amounts:				
Fair value adjustments – investment properties (non-cash)	247,132	165,515	–	–
Fair value adjustments – investment properties (non-cash) – distributed	(11,303)	–	(11,303)	–
Fair value adjustments – investment properties (non-cash) – not distributed	235,829	165,515	(11,303)	–
Fair value adjustments to derivatives (non-cash) – not distributed	9,897	5,021	(512)	88
Total fair value adjustments not distributed	**245,726**	**170,536**	**(11,815)**	**88**
Transfers from contributed equity to June 2005	**6,223**	**6,223**	**6,223**	**6,223**
Amortised costs – CMBS repaid May 2006	(17,280)	(17,280)	–	–
Amortised costs – CMBS issued May 2006	(156)	(19)	–	–
Amortised costs – ALE Notes issued November 2006	(4,374)	(3,037)	(4,374)	(3,037)
Amortised costs – ALE Notes premium	(1,462)	(1,022)	(1,462)	(1,022)
Capitalised interest – CIB issued May 2006	(4,352)	(527)	–	–
Amortised costs – CIB issued May 2006	(21)	(2)	–	–
Profit on sale of investment properties	449	–	–	–
Income tax expense	(2,603)	(1,062)	–	–
Total non cash expenses added back to profit to arrive at profit available for distribution	**(29,799)**	**(22,949)**	**(5,836)**	**(4,059)**
Other amounts not distributed	3,530	3,691	(1,544)	(1,643)
	225,680	**157,501**	**(12,972)**	**609**
Note 25 Reserve				
Balance at the beginning of the year	21	13	–	–
Employee share based payments	3	8	–	–
Transfer to contributed equity upon exercise of options	(24)	–	–	–
	–	**21**	**–**	**–**

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 exercised the right to subscribe for 300,000 shares at a fixed price of $1.036 on 20 December 2006. Upon exercise each option was converted to one ordinary unit and 1 ordinary share. On 20 December 2006 the options were exercised resulting in the issue of 300,000 stapled securities.

The options value disclosed above as part of key management remuneration is the assessed fair value at grant date of the options, 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.

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Note 26 Reconciliation of profit after income tax to net cash inflows from operating activities				
Profit for the year	97,732	52,207	15,972	10,721
Plus/(Less):				
Fair value adjustment to investment property	(81,617)	(50,256)	–	–
Fair value adjustment to derivative financial instruments	(5,018)	(7,028)	600	(77)
Fair value adjustment to interest rate swaps	–	3,406	–	2,248
Finance costs amortisation – May 2006 refinancing	–	9,840	–	–
Finance costs amortisation	1,933	4,446	1,778	1,636
Gain on disposal of investment property	(449)	–	–	–
Capitalised interest on CIB issued May 2006	3,825	527	–	–
Stapled security based payments – employee options	3	8	–	–
Depreciation	62	68	–	–
Decrease/(Increase) in receivables	615	(719)	(7)	100
Decrease/(Increase) in curent tax asset	7	(7)	–	–
Decrease/(Increase) in deferred tax asset	(423)	(213)	–	–
Decrease/(Increase) in other assets	(1,315)	(16)	–	(8)
Increase/(Decrease) in payables	(1,573)	611	200	4
Increase/(Decrease) in provisions	(29)	29	–	–
Increase/(Decrease) in other liabilities	(4,296)	3,970	–	(302)
Increase/(Decrease) in deferred tax liability	1,957	1,648	–	–
Net cash inflow from operating activities for the year	**11,414**	**18,521**	**18,543**	**14,322**

Note 27 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 2003
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	Title
Andrew Slade	Investment and Acquisitions Manager
Darren Barkas	Group Financial Controller and Company Secretary[1]
Brendan Howell	Compliance Officer and Company Secretary[2]
Michael Clarke	Finance Manager

1 – Darren Barkas resigned as Group Financial Controller and Company Secretary on 20 April 2007.
2 – Brendan Howell was appointed Company Secretary on 20 April 2007.

Note 27 Key management personnel disclosures (continued)

(c) Compensation for key management

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 2007 $	CONSOLIDATED 2006 $
Short term employee benefits	1,067,198	1,081,304
Post employment benefits	54,015	49,843
Share based payments	2,891	7,993
	1,124,104	**1,139,140**

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 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 2007
P H Warne	Non-executive Director	650,000	50,000	700,000
J P Henderson	Non-executive Director	55,000	54,000	109,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	68,000	309,650	377,650
M J Clarke	Finance Manager	–	1,500	1,500
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000

Note 28 Remuneration of Auditors

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
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	149,437	135,400	–	–
– in relation to prior year	28,357	1,500	–	–
Total remuneration for audit services	**177,794**	**136,900**	**–**	**–**
Other assurance Services				
PricewaterhouseCoopers Australian firm:				
General accounting advice (including AIFRS)	18,893	26,173	–	–
Due diligence services	–	142,250	–	–
Controls assurance services	–	9,000	–	–
Total remuneration for other assurance services	**18,893**	**177,423**	**–**	**–**
Total remuneration for assurance services	**196,687**	**314,323**	**–**	**–**
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	5,300	9,000	–	–
Due diligence services	–	223,000	–	–
Tax consulting services	38,685	25,135	–	–
Total taxation services	**43,985**	**257,135**	**–**	**–**

Note 29 Related party transactions

(a) Parent entity, subsidiaries and associates

Details are set out in note 33.

(b) Key management personnel

Key management personnel and their compensation is set out in note 27.

(c) Transactions with related parties

For the year ended 30 June 2007 the Company had charged the Trust $2,334,810 in management fees (2006:$2,276,000) and the Finance Company had charged the Sub-Trust $21,614,426 in interest (2006:$20,642,000).

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") and Merrill Lynch as custodian for clients. Fortis held 2,286,269 stapled securities of ALE as at 30 June 2007 (2006:4,254,837) and Merrill Lynch held 1,395,128 stapled securities of ALE as at 30 June 2007 (2006: Nil). Mr Warne does not make any investment decisions as part of his role at Next which relate to securities in ALE.

Peter Warne is a director of Macquarie Bank Limited ("Macquarie"). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services or corporate advice provided by Macquarie to ALE.

(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 30 Commitments

(a) Capital commitments

The Group is required to acquire certain properties under development under the conditional sale contracts (these amounts are fully represented in investment property deposits and in the loan to the Foster's Group Limited).

The Group has entered into a contract for the fit-out of new office premises located at 1 O'Connell Street Sydney. The amount to be paid under this contract is estimated to be $88,000 (inclusive of GST) payable following the completion of the fit-out in July 2007.

The Group settled the acquisition of the Balmoral Hotel in July 2007 for a total acquisition price, excluding acquisition costs, of $6,000,000.

Other than these amounts the directors are not aware of any other capital commitments as at the date of this report.

(b) Lease commitments

The Company entered into a non-cancellable operating lease for its office premises at Level 8, 15-19 Bent Street Sydney. This lease expired on 21 July 2007. The Company has entered into a non-cancellable operating lease for its new office premises at Level 7, 1 O'Connell Street Sydney The minimum net lease commitments under theses leases are:

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	110	74	–	–
Later than one year but not later than five years	274	4	–	–
Later than five years	–	–	–	–
	384	**78**	**–**	**–**

Note 31 Earnings per stapled security

	CONSOLIDATED		PARENT ENTITY	
	30 June 2007 $'000 cps	30 June 2006 $'000 cps	30 June 2007 $'000 cps	30 June 2006 $'000 cps
Basic and diluted earnings per stapled security	107.48	57.50	17.59	11.81
	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	90,928,711	90,800,100	90,928,711	90,800,100
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	90,928,711	90,800,100	90,928,711	90,800,100

cps = cents per stapled security

Note 32 Contingent liabilities and contingent assets

Put and call options
For each 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 lots of ten 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, licenses, permits, certificates, authorities or other approvals, together with any liquor license, held by the tenant in relation to the premises. The gaming license 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 $58,135 in respect of its office tenancy at Level 7, 1 O'Connell Street Sydney. This guarantee may give rise to a liability if the Company does not meet its obligations under the terms of the lease.

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. The lease of these premises expired on 21 July 2007 and the bank guarantee is expected to be relinquished in full.

Note 33 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.

In addition, the Trust owns 100% of the issued equity of ALE Direct Property Trust No.2 which in turns owns 100% of the issued equity of ALE Finance Company No.2 Pty Limited. Both of these trust subsidiaries are dormant.

Note 34 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 35 Events occurring after reporting date

On 26 July 2007 ALE completed the purchase of the Balmoral Hotel in Western Australia at a cost of $6,000,000. The acquisition was funded from existing cash reserves.

On 2 May 2007 the company announced its intention to buy back up to 9,080,010 stapled securities on-market. Note 23 contains further information on the buy back. Subsequent to year end the company has continued to purchase shares in accordance with the buy back programme.

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

Note 36 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement

ALE has taken the exemption available under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Stanrdards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. For further information please refer to our annual report for the year ending 30 June 2006.

(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 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.

Note 36 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement (continued)

	Notes	Floating interest rate $'000	FIXED INTEREST MATURING IN: 1 year or less $'000	FIXED INTEREST MATURING IN: 1 to 5 years $'000	FIXED INTEREST MATURING IN: More than 5 years $'000	Non interest bearing $'000	Total $'000
2007							
Financial assets							
Cash and cash equivalents	11	10,665	14,100	–	–	–	24,765
Receivables	12	–	–	–	–	398	398
Loans to Foster's Group	15	–	19,576	–	–	–	19,576
		10,665	**33,676**	**–**	**–**	**398**	**44,739**
Weighted average interest rate		5.75%	8.60%	–	–	–	7.85%
Financial liabilities							
Payables	18	–	–	–	–	6,026	6,026
Borrowings – ALE Notes	20	–	–	–	150,000	–	150,000
Borrowings – CMBS	20	225,000	–	–	–	–	225,000
Borrowings – CIB	20	–	–	–	130,225	–	130,225
Derivatives – interest rate swaps	20	(225,000)	–	210,000	15,000	–	–
		–	**–**	**210,000**	**295,225**	**6,026**	**511,251**
Weighted average interest rate		–	–	5.78%	5.50%	–	5.55%
Net financial assets/ (liabilities)		**10,665**	**33,676**	**(210,000)**	**(295,225)**	**(5,628)**	**(466,512)**

	Notes	Floating interest rate $'000	FIXED INTEREST MATURING IN: 1 year or less $'000	FIXED INTEREST MATURING IN: 1 to 5 years $'000	FIXED INTEREST MATURING IN: More than 5 years $'000	Non interest bearing $'000	Total $'000
2006							
Financial assets							
Cash	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 – CIB	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 36 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement (continued)

(c) Credit Risk

ALEs' 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 continous basis, that the tenant has appropriate financial standing and by the various security arrangements that are in place.

A secondary credit risk for ALE 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 continous basis, that the 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.

(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.

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 36 to 65 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 and consolidated entity's financial position as at 30 June 2007 and of their performance 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 Finance Manager and Company Secretary as required by section 295A of the Corporations Act 2001.

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

Peter H Warne
Director

Sydney

Dated this 21st day of August 2007

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the stapled security holders of ALE Property Group

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of ALE Property Group (the Group), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Australian Leisure and Entertainment Property Trust (the Trust) and ALE Property Group (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the Trust has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 30 to 33 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Responsible Entity are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PRICEWATERHOUSECOOPERS

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 Trust and ALE Property Group for the financial year ended 30 June 2007 included on the ALE Property Group's web site. The directors of 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 above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of ALE Property Group is in accordance with the *Corporation Act 2001*, including:

  (i) giving a true and fair view of the Australian Leisure and Entertainment Property Trust and ALE Property Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 30 to 33 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Hadfield

SJ Hadfield
Partner

Sydney
21 August 2007

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AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED ANNUAL FINANCIAL REPORT 30 JUNE 2007

ABN 45 105 275 278

Top shelf results

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2007.

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

Level 7
1 O'Connell 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)	Independent non-executive	8 September 2003
J P Henderson	Independent non-executive	19 August 2003
H I Wright	Independent 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 (the "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 (2006: nil).

Review of operations

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

	30 June 2007 $	30 June 2006 $
Revenue		
Management fees	2,334,810	2,276,395
Interest income	66,570	45,143
Total revenue	**2,401,380**	**2,321,538**
Other income	**–**	**600,000**
Total income	**2,401,380**	**2,921,538**
Expenses		
Salaries, fees and related costs	1,319,870	1,214,597
Acquisition proposal due diligence	96,581	2,188,800
Other expenses	1,036,425	740,963
Total expenses	**2,452,876**	**4,144,360**
Profit/(Loss) before income tax	**(51,496)**	**(1,222,822)**
Income tax (benefit)	(7,025)	(370,462)
Profit/(Loss) attributable to the shareholders of the Company	**(44,471)**	**(852,360)**
	Cents	Cents
Basic and diluted earnings per share	(0.49)	(0.94)
Dividend per share for the year	–	–
	Cents	Cents
Net assets per share	8.75	8.82

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 the Company 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.

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 three other listed entities being ASX Limited, Macquarie Bank Limited and WHK Group Limited.

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 practiced 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 and also the Local Government Remuneration Tribunal. 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. Prior boards include Australia Day Council of NSW, 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.

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 14 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

Brendan Howell B.Econ, G.Dip App Fin (Sec Inst)

Experience and expertise
The company secretary is Mr Brendan Howell. Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006.

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 17 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 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, the Australian Trade Commission, the Australian Sports Anti-Doping Authority and National ICT Australia.

David is a director of Australian Settlements Limited and chairman of its audit and risk committee.

David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and immediate past 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	Resigned
P H Warne	ASX Limited[a]	Non-executive	July 2006	
P H Warne	SFE Corporation Limited[a]	Non-executive	February 2005	
P H Warne	Macquarie Capital Alliance Group	Non-executive	February 2005	June 2007
P H Warne	WHK Group Limited	Non-executive	May 2007	
P H Warne	Macquarie Bank Limited	Non-executive	July 2007	

(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. SFE was delisted in July 2006. 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). Member of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC. Chairman 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 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 2007
P H Warne	Non-executive Director	650,000	50,000	700,000
J P Henderson	Non-executive Director	55,000	54,000	109,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	68,000	309,650	377,650
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	–	1,500	1,500

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 2007 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		REMUNERATION COMMITTEE MEETINGS	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	11	11	7	5	2	2
J P Henderson	11	11	7	7	2	2
H I Wright	11	11	7	7	2	2
A F O Wilkinson	11	11	–	–	–	–
J T McNally	11	11	–	–	–	–
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	7	6	n/a	n/a

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 ALE's executive reward framework are 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 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 stapled security holders
- performance linkage/alignment of executive compensation with outcomes for security holders
- 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 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.

Remuneration report (continued)

Alignment to the reward framework's employee' interests:

– rewards capability and experience
– reflects competitivte 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 2007 the total return on ALE's stapled securities (inclusive of distribution returns) was 77.7% (2006: 39.4%).

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 stapled securities.

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 stapled security holders. The maximum currently stands at $400,000 per annum, comprised of $325,000 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
– long-term incentives.

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 end 30 June 2007, the KPIs link to STI plans were based on Company, business and personal objectives. The KPIs required performance in seeking value accretive acquisitions, 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 performance rights over ALE stapled securities is proposed to be provided to the Managing Director, Mr Wilkinson and Acquisitions Manager, Mr Slade. The terms of the performance rights are currently subject to discussions between the Board and Mr Wilkinson and Mr Slade.

The Performance Rights provide the opportunity to receive fully paid stapled securities for nil cost. The receipts of stapled securities is contingent on achieving a performance hurdle over a specified performance period. The performance hurdles will also be agreed as part of those discussions. Under ASX listing rules, shareholder approval will be sought for the grant of Performance Rights to the Managing Director, Mr Wilkinson at the Annual General Meeting on 13 November 2007. The grant of Performance Rights to the Acquisitions Manager, Mr Slade, will be completed and announced to the market in compliance with ASX Listing Rules.

Options over 300,000 stapled securities previously issued to Mr Wilkinson fully vested on 10 November 2006 and were exercised on 20 December 2006.

Stapled security options granted

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

Stapled security performance rights granted

No Performance Rights over unissued stapled securities were granted during the 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 were dependent on the satisfaction of performance conditions as set out in the section headed "Short-term incentives", above. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2006 to 30 June 2007

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2007 are set out in the following table:

KEY MANAGEMENT PERSONNEL		SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS	EQUITY BASED PAYMENT	
Name	Role	Salary & 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	257,314	75,000	–	12,686	2,891	347,891
J T McNally	Executive Director	75,000	–	–	–	–	75,000
B R Howell	Company Secretary	57,500	–	–	–	–	57,500
A J Slade	Investment and Acquisitions Manager	142,793	40,000	–	12,686	–	195,479
M J Clarke	Finance Manager	44,278	15,000	–	3,992	–	63,270
D S Barkas[1]	Group Financial Controller and Company Secretary[1]	97,101	–	18,900	8,963	–	124,964
		918,298	130,000	18,900	54,015	2,891	1,124,104

1 Darren Barkas resigned as Group Financial Controller and Company Secretary on 4th April 2007.

Table 2 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 & 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 and Company Secretary	99,803	20,000	26,600	10,477	–	156,880
		894,704	160,000	26,600	49,843	7,993	1,139,140

Cash bonuses

For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the current 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	100	-
A J Slade	100	-
M J Clarke	100	-

Remuneration report (continued)

C Service agreements

On 10 November 2003, the Company entered into a three year service agreement with Managing Director, Mr Wilkinson. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $225,000 for Mr Wilkinson, 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. The Board and Mr Wilkinson have agreed to extend the contract to 13 November 2007.

In the event of the termination of Mr Wilkinson's employment contract, amounts may be payable for unpaid accrued entitlements, proportion of bonus 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.

At the annual general meeting of the Company to be held on 13 November 2007, the exact terms of Mr Wilkinson's new contract will be put to a shareholder vote. The terms will be advised to the market upon final agreement but no later than the date the Notice of Meeting is mailed to shareholders.

The employment contracts of Mr Slade and Mr Clarke 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 Compliance Officer of the Company on a continuous basis that may be terminated at any time.

D Equity based compensation

Options over un-issued stapled securities were granted in November 2003 to Mr Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Mr Wilkinson had 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. These options were exercised on 20 December 2006.

The options value disclosed above as part of specified executive remuneration was 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.

As mentioned above, the issue of performance rights to Mr Wilkinson is subject to approval at this year's annual general meeting.

Stapled securities under option

There are no unissued stapled securities under option at the date of this report.

Stapled securities issued on the exercise of options

The following stapled securities were issued during the year ended 30th June 2007 on the exercise of options granted under the company's equity based compensation arrangements. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of securities	Number of securities issued
10 November 2003	$1.036	300,000
		300,000

Insurance of officers

During the financial year, the Company paid a premium of $28,325 (2006: $29,844) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

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. At two properties ongoing monitering is being undertaken and further work is required, however, the Company is indemnified against any remediation amounts likely to be required.

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 their 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 compromised 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:

	30 June 2007 $	30 June 2006 $
Audit services		
PricewatehouseCoopers Australian firm:		
Audit and review of the financial reports of the Group		
and other audit work required under the Corporations Act 2001		
– in relation to current year	149,437	135,400
– in relation to prior year	28,357	1,500
Total remuneration for audit services	**177,794**	**136,900**
Other assurance services		
PricewatehouseCoopers Australian firm:		
General accounting advice (including AIFRS)	18,893	26,173
Due diligence – acquisitions not proceeding	–	142,250
Assurance services – internal control review	–	9,000
Total remuneration for other assurance services	**18,893**	**177,423**
Total remuneration for assurance services	**196,687**	**314,323**
Taxation services		
PricewatehouseCoopers Australian firm:		
Tax compliance services	5,300	9,000
Due diligence services	–	223,000
Tax consulting services	38,685	25,135
Total taxation services	**43,985**	**257,135**

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 78.

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

Peter H Warne
Director
Sydney

Dated this 21st day of August 2007

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the review of Australian Leisure and Entertainment Property Trust for the year ended 30 June 2007, 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 and the entities it controlled during the period.

SJHadfield

S J Hadfield
Partner

PricewaterhouseCoopers

Sydney
21 August 2007

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	30 June 2007 $	30 June 2006 $
Revenue			
Management fees	2	2,334,810	2,276,395
Interest income		66,570	45,143
Total revenue		**2,401,380**	**2,321,538**
Other income	3	–	600,000
Total income		**2,401,380**	**2,921,538**
Accounting services		33,877	69,028
Acquisition proposal due diligence	3	96,581	2,188,800
Annual Report		65,582	12,788
Auditors' remuneration	4	177,794	136,900
Corporate advisory services		105,366	(28,521)
Depreciation expense – plant & equipment		62,945	66,987
Insurance		79,488	85,285
Legal fees		78,928	57,973
Occupancy costs		75,782	74,516
Other expenses		196,078	124,902
Registry fees		73,512	66,513
Salaries, fees and related costs		1,319,870	1,214,597
Staff training		11,950	11,897
Taxation services		45,185	30,535
Travel and accommodation		29,938	32,160
Total expenses		**2,452,876**	**4,144,360**
Profit/(Loss) before income tax		**(51,496)**	**(1,222,822)**
Income tax (benefit)	5	(7,025)	(370,462)
Profit/(Loss) after income tax		**(44,471)**	**(852,360)**
Profit/(Loss) attributable to the shareholders of the Company		**(44,471)**	**(852,360)**

		Cents	Cents
Basic and diluted earnings/ (loss) per share		(0.49)	(0.94)
Dividends paid and payable per share		–	–

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

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	30 June 2007 $	30 June 2006 $
Current assets			
Cash and cash equivalents	7	102,860	483,114
Receivables	8	260,790	851,028
Prepayments and other assets		90,762	38,279
Total current assets		**454,412**	**1,372,421**
Non-current assets			
Plant and equipment	6	50,635	102,354
Investment in related party	9	9,080,010	9,080,010
Deferred tax asset	10	476,155	472,153
Total non-current assets		**9,606,800**	**9,654,517**
Total assets		**10,061,212**	**11,026,938**
Current liabilities			
Payables	11	404,004	2,258,234
Provisions	12	31,583	61,174
Loan from related party	13	1,670,824	699,144
Current tax liability	5	–	1,918
Total current liabilities		**2,106,411**	**3,020,470**
Non-current liabilities			
Deferred tax liability	14	732	1,837
Total non-current liabilities		**732**	**1,837**
Total liabilities		**2,107,143**	**3,022,307**
Net assets		**7,954,069**	**8,004,631**
Equity			
Contributed equity	15	9,095,028	9,080,010
Retained losses	16	(1,140,959)	(1,096,488)
Reserves	17	–	21,109
Total equity		**7,954,069**	**8,004,631**

	Cents	Cents
Net assets per share	**8.75**	**8.82**

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

	Note	30 June 2007 $	30 June 2006 $
Total equity at the beginning of the Year		**8,004,631**	**8,848,999**
Profit / (Loss) for the Year		(44,471)	(852,360)
Total recognised income and expenses for the year		**(44,471)**	**(852,360)**
Transactions with equity holders in their capacity as equity holders:			
Issue of shares		30,000	–
Shares cancelled under share buyback programme		(38,982)	–
Employee share options		2,891	7,992
Total transactions with equity holders in their capacity as equity holders		(6,091)	7,992
Total equity at the end of the year		**7,954,069**	**8,004,631**

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.

	Note	30 June 2007 $	30 June 2006 $
Cash flows from operating activities			
Other revenue (management fee and expense recovery)		8,234,121	10,172,856
Payments to suppliers and employees		(8,662,114)	(9,856,116)
Interest received – bank deposits and investment arrangements		67,946	38,397
Net cash inflow from operating activities	21	**(360,047)**	**355,137**
Cash flows from investing activities			
Payments for plant and equipment		(11,225)	(28,705)
Net cash (outflow) from investing activities		**(11,225)**	**(28,705)**
Cash flows from financing activities			
Share brought back under share buyback programme		(38,982)	–
Shares issued		30,000	–
Net cash (outflow) from financing activities		**(8,982)**	**–**
Net increase in cash and cash equivalents held		**(380,254)**	**326,432**
Cash and cash equivalents at the beginning of the year		483,114	156,682
Cash and cash equivalents at the end of the year	**7**	**102,860**	**483,114**

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

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authorative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Australia Leisure and Entertainment Property Trust comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in ASB 132 Financial Instruments: Disclosure and Presentation.

Early adoption of standards

The Group has elected to apply the revised pronouncement AASB 101 Presentation of Financial Statements (issued October 2006) to annual reporting periods beginning 1 July 2007.

This includes applying the pronoucement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

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.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are believed to be reasonable under the circumstances.

(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) 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.

(e) 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.

Note 1 Summary of significant accounting policies (continued)

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

(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.

(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
Provisions 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) 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) Shares 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 an 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.

(v) Retirement benefit obligations
The Company pays fixed contributions to employee's 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.

Note 1 Summary of significant accounting policies (continued)

(l) 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.

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

(n) 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.

(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 effect 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 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) 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 & 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 yet. 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.

(ii) AASB-I 10 Interim Financial Reporting and Impairment
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Company's financial statements.

(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 26 provides further information)

	30 June 2007 $	30 June 2006 $
Note 2 Management fees		
Management fees	**2,334,810**	**2,276,395**

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

Expense recovery and management fee receipts (exclusive of GST) of $8,234,121 (2006: $10,172,856) 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.

	30 June 2007 $	30 June 2006 $
Note 3 Transaction costs and other income		
Acquisition proposal due diligence	**96,581**	**2,188,800**
Amounts (recovered) following non completion	**–**	**(600,000)**
Net costs incurred	**96,581**	**1,588,800**

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.

	30 June 2007 $	30 June 2006 $
Note 4 Auditors' remuneration		
Audit services		
PricewatehouseCoopers 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	149,437	135,400
– in relation to prior year	28,357	1,500
Total remuneration for audit services	**177,794**	**136,900**
Other assurance services		
PricewatehouseCoopers Australian firm:		
General accounting advice (including AIFRS)	18,893	26,173
Due diligence services	–	142,250
Controls assurance services	–	9,000
Total remuneration for other assurance services	**18,893**	**177,423**
Total remuneration for assurance services	**196,687**	**314,323**
Taxation services		
PricewatehouseCoopers Australian firm:		
Tax compliance services	5,300	9,000
Due diligence services	–	223,000
Tax consulting services	38,685	25,135
Total taxation services	**43,985**	**257,135**

	30 June 2007 $	30 June 2006 $
Note 5 Income tax expense/(benefit)		
Current tax expense / (benefit)	(1,918)	1,918
Deferred tax (benefit)	(5,107)	(372,380)
	(7,025)	**(370,462)**
(Increase) in deferred tax asset	(4,002)	(374,217)
Increase/(Decrease) in deferred tax liabilities	(1,105)	1,837
	(5,107)	**(372,380)**
Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before the income tax expense	(51,496)	(1,222,822)
Tax at the Australian tax rate 30%	(15,449)	(366,847)
Tax effect of amounts which are deductible (taxable) in calculating taxable income:		
Expenditure held on balance sheet	–	(9,203)
Share based payments	868	2,398
Entertainment	510	735
Under provision in prior years	7,046	2,455
	8,424	(3,615)
Income tax (benefit)	**(7,025)**	**(370,462)**
Note 6 Plant and equipment		
Furniture, fittings and equipment		
At Cost	63,318	59,712
Accumulated depreciation	(33,800)	(24,828)
	29,518	34,884
Software		
At Cost	80,089	72,468
Accumulated depreciation	(60,282)	(35,901)
	19,807	36,567
Office fitout		
At Cost	84,616	84,616
Accumulated depreciation	(83,306)	(53,713)
	1,310	30,903
Total		
At Cost	228,023	216,796
Accumulated depreciation	(177,388)	(114,442)
Net book value	**50,635**	**102,354**

		30 June 2007 $	30 June 2006 $
Note 6 Plant and equipment (continued)			
Movement in Plant and Equipment:			
Furniture, fittings and equipment			
Net book value at the beginning of the Year		34,884	47,276
Additions		3,606	–
Disposals		–	–
Depreciation charge		(8,972)	(12,392)
Net book value at the end of the Year		**29,518**	**34,884**
Software			
Net book value at the beginning of the Year		36,567	32,857
Additions		7,621	28,705
Disposals		–	–
Depreciation charge		(24,381)	(24,995)
Net book value at the end of the Year		**19,807**	**36,567**
Office fitout			
Net book value at the beginning of the Year		30,903	60,502
Additions		–	–
Disposals		–	–
Depreciation charge		(29,593)	(29,599)
Net book value at the end of the Year		**1,310**	**30,903**
Total			
Net book value at the beginning of the Year		102,354	140,635
Additions		11,227	28,705
Disposals		–	–
Depreciation charge		(62,946)	(66,986)
Net book value at the end of the Year		**50,635**	**102,354**
Note 7 Cash and cash equivalents			
Cash at bank	(a)	20,807	459,196
Deposits at call	(b)	82,053	23,918
		102,860	**483,114**

(a) As at 30 June 2007 the weighted average interest rate earned on cash was 6.12% (2006: 5.64%).

(b) The deposits represents office occupancy security deposits.

	30 June 2007 $	30 June 2006 $
Note 8 Receivables		
Accounts receivable	258,350	847,213
Interest receivable	2,440	3,815
	260,790	**851,028**
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 License. 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 9.37% in the Trust as a result of the issue of NIVUS.

	30 June 2007 $	30 June 2006 $
Note 10 Deferred tax asset		
Deferred tax assets	**476,155**	**472,153**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	9,475	18,611
Acquisition proposal due diligence	285,984	381,312
Other accruals	103,604	72,230
Other provisions	3,090	–
Tax losses	74,002	–
Net deferred tax assets	**476,155**	**472,153**
Movements:		
Opening balance at 1 July 2006	472,153	97,936
Credited / (charged) to the income statement (note 5)	4,002	374,217
Closing balance at 30 June 2007	**476,155**	**472,153**
Deferred tax assets to be recovered within 12 months	285,499	186,169
Deferred tax assets to be recovered after more than 12 months	190,656	285,984
	476,155	**472,153**
Note 11 Payables		
Trade creditors	77,167	264,370
Creditor accruals	326,837	1,993,864
	404,004	**2,258,234**
Note 12 Provisions		
Provision for annual leave	31,583	45,902
Provision for superannuation	–	15,272
	31,583	**61,174**
Note 13 Loan from related party		
Loan from the Trust	**1,670,824**	**699,144**
The loan is non interest bearing, of no fixed term and is repayable on demand.		
Note 14 Deferred tax liability		
Deferred tax liability	**732**	**1,837**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Interest income earned but not received	732	1,145
Prepaid expense	–	692
Net deferred tax liability	**732**	**1,837**
Movements:		
Opening balance at 1 July 2006	1,837	–
Charged to income statement (note 5)	(1,105)	1,837
Closing balance at 30 June 2007	732	1,837
Deferred tax liabilities to be recovered within 12 months	732	1,837
Deferred tax liabilities to be recovered after more than 12 months	–	–
	732	**1,837**

	30 June 2007 $	30 June 2006 $
Note 15 Contributed equity		
(a) Share Capital		
Issued share capital 90,660,614 (2006: 90,800,100) fully paid	**9,095,028**	**9,080,010**
(b) Movements in Ordinary Share Capital		
Opening balance	9,080,010	9,080,010
Exercise of options	54,000	–
On-market share buyback	(38,982)	–
Balance at the end of the period	**9,095,028**	**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
Exercise of options	300,000	–
On-market share buyback	(439,486)	–
Closing balance	**90,660,614**	**90,800,100**

(c) Shares

Fully paid stapled securities in the Company 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.

(d) Share buyback

On 2 May 2007 the company announced its intention to buyback up to 9,080,010 stapled securities on-market. Between 2 May 2007 and 30th June 2007 the company purchased and cancelled 439,486 ordinary shares. Contributed equity was reduced by the total cost of $38,982.

Note 16 Retained losses		
Balance at the beginning of the year	(1,096,488)	(244,128)
Net Profit/(Loss) attributable to ordinary shareholders	(44,471)	(852,360)
Balance at the end of the year	**(1,140,959)**	**(1,096,488)**
Note 17 Reserves		
Share-based payments reserve		
Balance at the beginning of the year	21,109	13,117
Employee share option expense	2,891	7,992
Transfer to share capital on exercise of options	(24,000)	–
Balance at the end of the year	**–**	**21,109**

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

On 2 May 2007 the company announced its intention to buy back up to 9,080,010 stapled securities on-market. Note 15 contains further information on the buy back. Subsequent to year end the company has continued to purchase shares in accordance with the buy back programme.

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.

	30 June 2007 $	30 June 2006 $

Note 20 Contingent liabilities

Bank guarantee

The Company has entered into a bank guarantee of $58,135 in respect of its office tenancy at Level 7, 1 O'Connell Street, Sydney. This guarantee may give rise to a liability if the Company does not meet its obligations under the terms of the lease.

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. The lease of these premises expired on 21 July 2007 and the bank guarantee is expected to be relinquished in full.

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

Note 21 Reconciliation of profit after income tax to net cash inflows from operating activities

	30 June 2007 $	30 June 2006 $
(Loss) for the year	(44,471)	(852,360)
Depreciation	62,946	66,986
Non cash employee benefits expense – share based payments	2,891	7,992
(Increase)/decrease in receivables	590,237	(664,941)
(Increase)/decrease in other assets	(52,483)	(7,004)
(Increase)/decrease in deferred tax asset	(4,002)	(374,217)
Increase/(decrease) in loan from related party	971,680	349,297
Increase/(decrease) in provisions	(29,591)	27,895
Increase/(decrease) in payables	(1,854,231)	1,797,734
Increase/(decrease) in current tax liability	(1,918)	1,918
Increase/(decrease) in deferred tax liability	(1,105)	1,837
Net cash inflows from operating activities	**(360,047)**	**355,137**

Note 22 Commitments

(a) Capital commitments

The Company has entered into a contract for the fit-out of new office premises located at 1 O'Connell Street Sydney. The amount to be paid under this contract is estimated to be $88,000 (inclusive of GST) payable following the completion of the fit-out in July 2007.

The directors are not aware of any other 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. This lease expired on 21 July 2007. The Company has entered into a non-cancellable operating lease for its new office premises at Level 7, 1 O'Connell Street Sydney. The minimum net lease commitments under theses leases are:

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 June 2007 $	30 June 2006 $
Within one year	109,635	73,361
Later than one year but not later than five years	273,970	3,867
Later than five years	–	–
	383,605	**77,228**

Note 23 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 is set out in note 24.

(c) Transaction with related parties
For the year ended 30 June 2007 the Company had charged the Trust $2,334,810 in management fees (2006:$2,276,000).

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") and Merrill Lynch as custodian for clients. Fortis held 2,286,269 stapled securities of ALE as at 30 June 2007 (2006:4,254,837) and Merrill Lynch held 1,395,128 stapled securities of ALE as at 30 June 2007 (2006: Nil). Mr Warne does not make any investment decisions as part of his role at Next which relate to securities in ALE.

Peter Warne is a director of Macquarie Bank Limited ("Macquarie"). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services or corporate advice provided by Macquarie to ALE.

(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 24 Key management personnel

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

Name	Type	Appointed
P H Warne (Chairman)	Independent non-executive	8 September 2003
J P Henderson	Independent non-executive	19 August 2003
H I Wright	Independent non-executive	8 September 2003
A F O Wilkinson (Managing Director)	Executive	16 November 2003
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
Andrew Slade	Investment and Acquisitions Manager
Darren Barkas	Group Financial Controller and Company Secretary[1]
Brendan Howell	Compliance Officer and Company Secretary[2]
Michael Clarke	Finance Manager

1 Darren Barkas resigned as Group Financial Controller and Company Secretary on 20 April 2007.
2 Brendan Howell was appointed Company Secretary on 20 April 2007.

(c) Compensation for key management personnel
The following table sets out the compensation for key management personnel in aggregate. Refer to the renumeration report in the Directors' Report for details of the renumeration policy and compensation details by individual.

	30 June 2007 $	30 June 2006 $
Short term employee benefits	1,067,198	1,081,304
Post employment benefits	54,015	49,843
Share based payments	2,891	7,993
	1,124,104	**1,139,140**

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 73 to 76.

Note 24 Key management personnel (continued)

(d) Equity holdings of key management personnel

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

Name	Role	Number held at the start of the year	Purchases / (sales)	Number held at 30 June 2007
P H Warne	Non-executive Director	650,000	50,000	700,000
J P Henderson	Non-executive Director	55,000	54,000	109,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	68,000	309,650	377,650
D S Barkas	Group Financial Controller and Company Secretary	48,327	–	48,327
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	–	1,500	1,500

Note 25 Earnings per share

	30 June 2007 $	30 June 2006 $
(a) Basic Earnings per share		
Attributable to equity holders of the Company		
Basic and diluted earnings per equity holders of the Company	(0.49)	(0.94)
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	(0.49)	(0.94)
Basic and diluted earnings per stapled security using realised operating income.	(0.49)	(0.94)

	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	90,928,711	90,800,100
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	90,928,711	90,800,100

Note 26 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement

(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.

			FIXED INTEREST MATURING IN				
	Notes	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
30 June 2007							
Financial assets							
Cash	7	20,507	82,053	–	–	300	102,860
Receivables	8	–	–	–	–	260,790	260,790
		20,507	**82,053**	**–**	**–**	**261,090**	**363,650**
Weighted average interest rate		5.75%	5.20%	–	–	–	1.50%
Financial liabilities							
Payables	11	–	–	–	–	404,004	404,004
Loan from related party	13	–	–	–	–	1,670,824	1,670,824
		–	**–**	**–**	**–**	**2,074,828**	**2,074,828**
Weighted average interest rate		–	–	–	–	–	–
Net financial assets/ (liabilities)		**20,507**	**82,053**	**–**	**–**	**(1,813,738)**	**(1,711,178)**

			FIXED INTEREST MATURING IN				
	Notes	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
30 June 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 26 AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement (continued)

(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 value.

In the directors' opinion:

(a) the financial statements and notes set out on pages 79 to 95 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 2007 and of its performance as 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 73 to 76 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.

Peter H Warne
Director

Sydney

Dated this 21st day of August 2007

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Independent auditor's report to the members of Australian Leisure and Entertainment Property Management Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Australian Leisure and Entertainment Property Management Limited (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Australian Leisure and Entertainment Property Management Limited.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 73 to 76 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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 for the financial year ended 30 June 2007 included on the ALE Property Group's web site. The directors of the Responsible Entity are responsible for the integrity of the Australian Leisure and Entertainment Property Management Limited'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 above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Australian Leisure and Entertainment Property Management Limited is in accordance with the *Corporation Act 2001*, including:

  (i) giving a true and fair view of the Australian Leisure and Entertainment Property Management Limited's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 73 to 76 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

SJ Hadfield
Partner

Sydney
21 August 2007

ALE PROPERTY GROUP

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21 August, 2007

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 2007.

Dear Directors,

We confirm to the best of our knowledge and belief that the Financial Reports for the year ended 30 June 2007 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	Michael Clarke	Brendan Howell
Managing Director	Finance Manager	Company Secretary

The equity holder information set out below was applicable as at 31 August 2007.

A. Distribution of equity securities

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

	CLASS OF EQUITY SECURITY	
Number of securities	Number of stapled security holders	Number of No income Voting Unit (NIVUS) holders
1 - 1,000	155	-
1,001 - 5,000	870	-
5,001 - 10,000	621	-
10,001 - 100,000	1,021	-
100,001 and over	57	1
Total	**2,724**	**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 NIVUS have been issued by the Trust to the Company.

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

B. Equity security holders

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

Rank	Name	Number of stapled securities	% of issued capital
1	Bell Potter Nominees Limited	15,997,456	18.22%
2	HSBC Custody Nominees (Australia) Limited	4,837,136	5.51%
3	J P Morgan Nominees Australia Limited	3,222,045	3.67%
4	Fortis Clearing Nominees Pty Limited	3,185,956	3.63%
5	UBS Wealth Management Australia Nominees Pty Limited	3,067,249	3.49%
6	ANZ Nominees Limited	2,410,136	2.74%
7	Lady Jean Falconer Griffin	1,859,120	2.12%
8	Hedley Leisure & Gaming Property Services Limited	1,819,814	2.07%
9	T W Hedley Pty Limited	1,561,606	1.78%
10	Citicorp Nominees Pty Limited	1,499,103	1.71%
11	National Nominees Limited	1,347,541	1.53%
12	Citicorp Nominees Pty Limited	1,212,570	1.38%
13	RBC Dexia Investor Services Australia Nominees Pty Limited	870,168	0.99%
14	Mr Jeremy Nicholas Ferris and Mrs Dorothy May Ferris and Mr Kenneth Charles Ferris	662,780	0.75%
15	Argo Investments Limited	610,000	0.69%
16	Caergwrle Investments Pty Limited	500,000	0.57%
17	Oakleigh Nominees Pty Limited	372,858	0.42%
18	Sandhurst Trustees Limited	262,369	0.30%
19	Mr Michael John Steven Arthur	250,001	0.28%
20	Saltaire Pty Limited	245,066	0.28%
		45,792,974	**52.13%**

C. Substantial holders

Substantial holders of ALE (as per notices received as at 31 August 2007) are set out below:

Stapled security holder	Number held	Percentage of voting rights
Hedley Leisure and Gaming Property Services Limited	19,378,876	22.07%
ING Australia Holdings Limited and related corporations	6,185,103	7.04%
Australia and New Zealand Banking Group Limited	5,104,417	5.81%
Deutsche Bank Group	5,180,924	5.90%

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 Company 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 securities holders. 2,998,049 units have been cancelled via the on-market stapled security buy back programme currently in progress by the Company. The NIVUS therefore represent 9.37% of the voting rights of the Trust.

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. The Annual Report and the Half-Year Report are released to the ASX and posted on the ALE website in August and February respectively. The Annual Report and Half-Year Report are not mailed to stapled security holders, unless requested.

The registry have and will continue to mail forms on a regular basis to enable stapled security holders to elect to receive the Annual Reports each year.

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. ASX announcements are also included on the site on a regular basis.

Annual Tax Statement
Accompanying the final stapled security distribution payment, normally in August each year, will be an annual tax statement which details the tax deferred components of the year's distribution.

Distributions
Stapled security distributions are paid twice yearly, normally in February and August.

Annual General Meeting
The annual general meeting of the Company and a meeting of the Trust will be held at the Barnet Room, Westin Hotel, 1 Market Place, Sydney at 10 am on 13 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 October 2007.

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

CORPORATE DIRECTORY

Registered Office
Level 7, 1 O'Connell Street
Sydney NSW 2000
Telephone (02) 8231 8588

Company Secretary
Mr Brendan Howell
Level 7, 1 O'Connell Street
Sydney NSW 2000
Telephone (02) 8231 8588

Auditors
PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

For 2008, subject to approval by the shareholders at the AGM
KPMG
10 Shelly 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

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