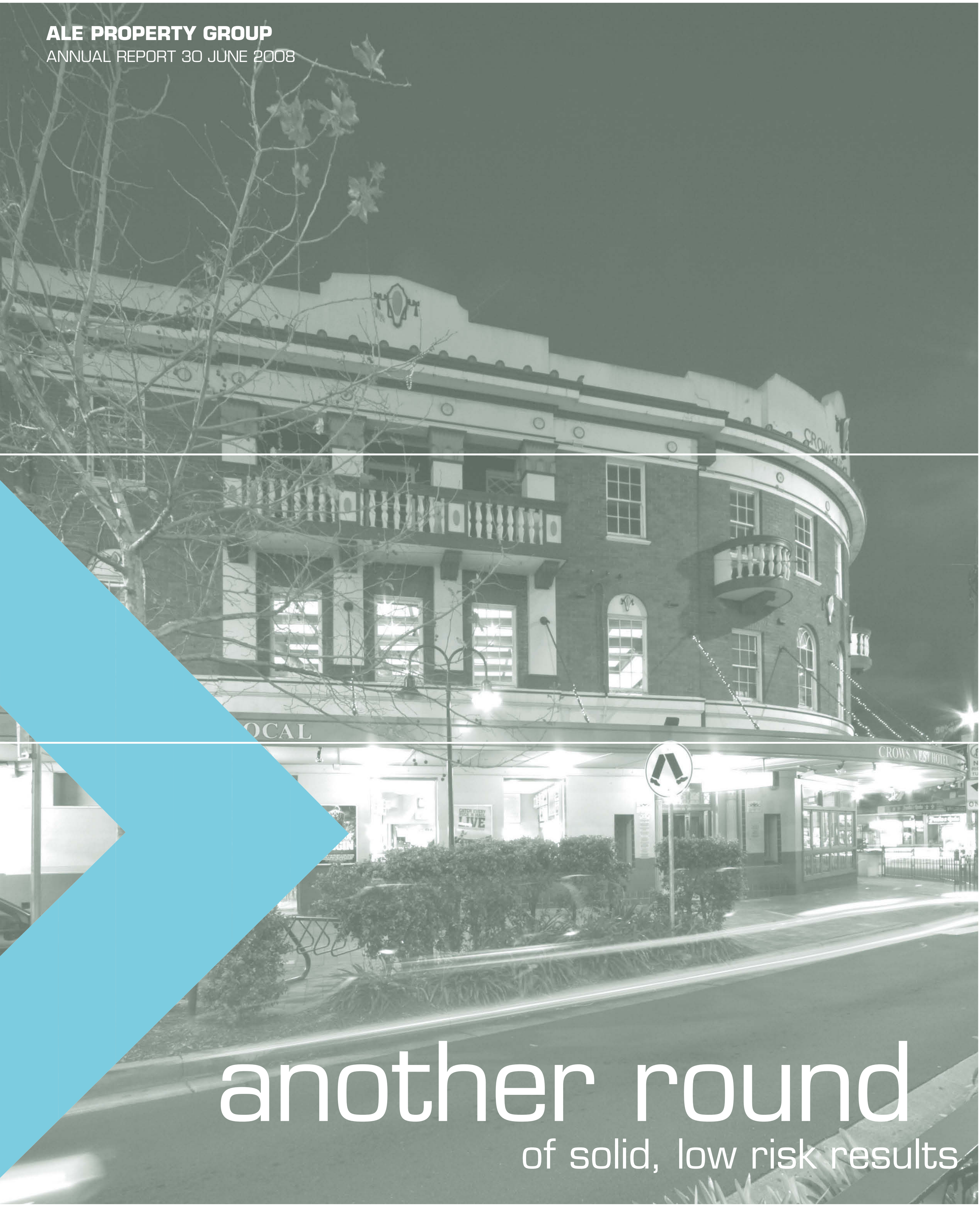
ALE PROPERTY GROUP
ANNUAL REPORT 30 JUNE 2008



another round
of solid, low risk results

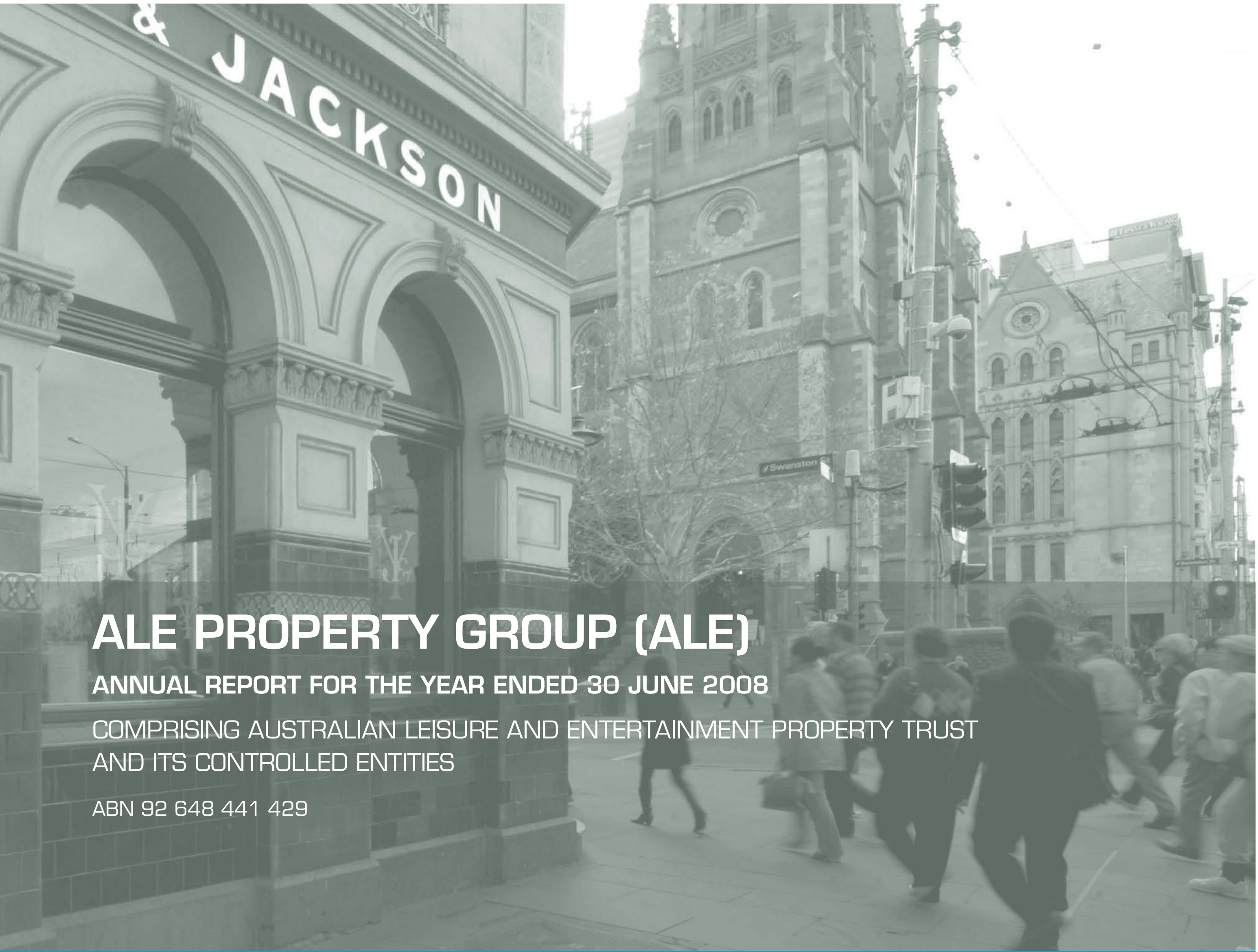
ALE PROPERTY GROUP

Front Cover

Crows Nest Hotel, Crows Nest, NSW, has been an institution on Sydney's lower North Shore for nearly 80 years. It caters to a diverse clientele base and is renowned for it's entertainment offering.

Right

Young & Jackson Hotel, Cnr Swanston and Flinders Street. Melbourne, is one of Australia's most famous pubs. It was first opened in 1861 as the Princes Bridge Hotel. In 1875 two successful Irish diggers became the licensees – Henry Young and Thomas Jackson.



ALE PROPERTY GROUP (ALE)

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

COMPRISING AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST
AND ITS CONTROLLED ENTITIES

ABN 92 648 441 429

CONTENTS

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 NSW 2000

The Directors of the Company present their report, together with the consolidated financial report of ALE, for the year ended 30 June 2008.

1. 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	Executive	16 November 2004
J T McNally	Executive	26 June 2003

2. 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.

3. Significant changes in the state of affairs

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

4. 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.

In February 2008, Australian Leisure and Hospitality Limited (ALH), ALE's tenant, sought declarations in the Supreme Court of Victoria on the proper interpretation of its lease as it relates to the development of a large amount of vacant land available (balanced lot) at the Vale Hotel, Mulgrave, Victoria. ALE and ALH are due to enter into mediation on this matter by mid November 2008. In the event that mediation does not resolve the matter, it will be determined by the Supreme Court of Victoria. It is pointed out, however, that no matter how it is determined, the lease specifies that ALE is entitled to be kept whole in the event of any development.

5. 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 2008 cents per security	30 June 2007 cents per security	30 June 2008 $'000	30 June 2007 $'000
Final Trust income distribution for the year ended 30 June 2008 to be paid on 29 August 2008	15.44	10.57	13,244	9,595
Final Trust ongoing distribution of fair value adjustments to investment properties for the year ended 30 June 2008 to be paid on 29 August 2008	1.41	6.23	1,216	5,655
Interim Trust income distribution for the year ended 30 June 2008 paid on 28 February 2008	9.76	9.50	8,413	8,655
Interim Trust ongoing distribution of fair value adjustments to investment properties for the year ended 30 June 2008 paid on 28 February 2008	6.99	6.20	6,026	5,648
Total distribution for the year ended 30 June 2008	**33.60**	**32.50**	**28,899**	**29,553**

No provisions for or payments of Company dividends have been made during the year (2007: nil).

6. Matters subsequent to the end of the financial year

On 9 July 2008, ALE entered into a second CPI Hedge that hedges real base interest rates on $186 million of debt at 3.77% for 15 years. This transaction substantially reduces the interest rate risk from the refinancing of debt that will occur in 2011 and further reduces the potential volatility in distributions over the long term. On 1 August 2008, ALE extended the second CPI Hedge entered into on 9 July 2008 by a further $19 million.

On 28 July 2008, ALE disposed of its interest in the Parkway Hotel, Frenchs Forest for $8.45 million. The sale represents a 30% premium to the carrying value of the investment as at 30 June 2008.

Other than the matters disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of ALE, the results of those operations, or the state of affairs of ALE, in future financial years.

7. Review and results of operations

ALE produced an IFRS accounting profit of $6.5 million for the year ended 30 June 2008 (30 June 2007: $97.7 million). ALE produced a distributable income (before fair value adjustments and income tax) of $10.0 million for the year ended 30 June 2008 (30 June 2007: $12.8 million). ALE produced a distributable profit (before fair value adjustments and other non-cash items) of $21.6 million for the year ended 30 June 2008 (30 June 2007: $18.1 million).

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

	30 June 2008 $'000	30 June 2007 $'000
Profit before income tax and fair value adjustments for the year	**10,041**	**12,780**
Unrealised fair value adjustments to investment properties	(2,098)	81,617
Unrealised fair value adjustments to derivatives	716	4,876
Income tax expense	(2,122)	(1,541)
Profit after income tax for the year	6,537	97,732
Unrealised fair value adjustments to derivatives and investment properties	1,382	(86,493)
Gain on disposal of investment properties	–	(449)
Employee share based payments	221	3
Finance costs – non-cash	11,399	5,758
Income tax expense	2,122	1,541
Adjustments for non-cash items	**15,124**	**(79,640)**
Profit after income tax adjusted for non-cash items	**21,661**	18,092
Fair value adjustments to investment properties distributed	7,242	11,303
Total available for distribution	**28,903**	**29,395**
Distribution paid or provided for	28,899	29,553
Available and under/(over) distributed for the year	**4**	**(158)**

	Note	Percentage increase	30 June 2008 cents	30 June 2007 cents
Earnings and distribution per stapled security				
Basic and diluted earnings	14(a)	-93.0%	7.55	107.48
Earnings available for distribution	14(b)	25.6%	25.00	19.90
Income distribution		24.7%	25.03	20.07
Distribution of fair value adjustments to investment properties	14(c)	-31.1%	8.57	12.43
Total distribution		3.4%	33.60	32.50

Summary of financial highlights for the year

Total distribution per stapled security increased by 3.4% from 32.50 cents to 33.60 cents compared to the June 2007 year.

Investment property acquisitions and revaluations (excluding development properties) increased portfolio value by 6.65% from $769.1 million to $820.27 million compared to June 2007.

Net assets per stapled security decreased by 8.9% from $3.37 to $3.08 compared to June 2007 due to adjustments to property asset values, a buyback of stapled securities and a range of other minor items.

8. 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 four other listed entities, being ASX Limited, Macquarie Group Limited, WHK Group Limited and TEYS 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 practised as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is the Statutory and Other Offices Remuneration Tribunal for NSW and 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 15 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.

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

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 18 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 nine 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 fund managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Independent member of the 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, AusAID (the Australian Agency for International Development) 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 a 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	WHK Group Limited	Non-executive	May 2007	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	
P H Warne	TEYS Limited	Non-executive	October 2007	

(a) In July 2006, the Australian Stock Exchange and SFE Corporation Limited (SFE) merged, with the SFE becoming a wholly owned subsidiary of the Australian Securities Exchange (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 Chair of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC. Member of the Remuneration Committee.
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company. Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).
J T McNally	Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).

Directors' and key management personnel interests in stapled securities and performance rights

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

Name	Role	Number held at the start of the year	Purchases /(sales)	Number held at 30 June 2008
P H Warne	Non-executive Director	700,000	40,000	740,000
J P Henderson	Non-executive Director	109,000	80,000	189,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	377,650	–	377,650
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	1,500	–	1,500

The following key management personnel currently hold performance rights over stapled securities in ALE:

Name	Role	Number held at the start of the year	Conversion/sales /purchases	Number held at 30 June 2008
A F O Wilkinson	Executive Director	–	90,516	90,516
A J Slade	Investment and Acquisitions Manager	–	15,552	15,552

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 2008 and the number of meetings attended by each Director at the time the Director held office during the year were:

Director	Board meetings		ACRMC meetings		Remuneration Committee meetings	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	9	9	8	8	2	2
J P Henderson	9	8	8	8	2	2
H I Wright	9	9	8	8	2	2
A F O Wilkinson	9	9	n/a	n/a	n/a	n/a
J T McNally	9	9	n/a	n/a	n/a	n/a
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	8	8	n/a	n/a

1. "Held" reflects the number of meetings which the Director or member was eligible to attend.

9. Remuneration report (audited)
The remuneration report is set out under the following main headings:

9.1 Principles used to determine the nature and amount of remuneration
9.2 Details of remuneration
9.3 Service agreements
9.4 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.

9.1 Principles used to determine the nature and amount of remuneration
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, ALE 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 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 three years ended 30 June 2008, the total return on ALE's stapled securities (inclusive of distribution returns) was 21.8% (2007: n/a).

9.1 Principles used to determine the nature and amount of remuneration (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 last reviewed in 2007, the first review since 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 or performance rights over stapled securities.

Directors' fees

The current base remuneration was last reviewed with effect from July 2007. 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 $475,000 per annum, comprised of $385,000 per annum for Non-executive Directors and $90,000 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.

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 ALE have been designed to link annual STI bonus awards to executive performance against agreed key performance indicators (KPIs) including the financial performance of ALE 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 ALE.

Each year, the Remuneration Committee considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payments of STI.

For the year ended 30 June 2008, the KPI links to STI plans were based on ALE, business and personal objectives. The KPIs required performance in seeking value accretive acquisitions, managing operating and funding costs, compliance with legislative requirements, risk and capital management and 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.

9.1 Principles used to determine the nature and amount of remuneration (continued)

Long term incentives (LTI)
Performance rights over unissued stapled securities were granted in June 2008 to Mr Wilkinson and Mr Slade. Mr Wilkinson has the right to receive up to 90,516 stapled securities at a nil cost exercisable from 1 June 2009 or earlier, if employment is terminated after a change of control in the Company. Mr Slade has the right to receive up to 15,552 stapled securities at a nil cost exercisable progressively from 30 June 2008 or earlier, if employment is terminated after a change of control in the Company.

The performance rights provide the opportunity to receive fully paid stapled securities for nil cost. The receipt of stapled securities is contingent on achieving specific performance hurdles over a specified performance period. The performance hurdles are as follows:

- a Total Shareholder Return (TSR) performance hurdle where ALE's TSR is ranked against a comparative group consisting of companies classified as Real Estate Investment Trusts in the S&P/ASX 300 Index;
- a TSR performance hurdle based on ALE's absolute TSR; and
- a service period retention hurdle, whereby the employee must be employed by ALE at the vesting date for the performance rights to vest.

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
The following performance rights (PR) over unissued stapled securities were granted during the year:

Executive	Number of PR issued	Grant date	Performance period start date	Fair value of PR at grant date ($)	Expiry date	Number of PR vested during 2008
A F O Wilkinson	90,516	12 Dec 2007	6 Nov 2006	3.11	1 Jun 2009	–
A J Slade	15,552	30 Jun 2008	1 Jul 2007	2.57	30 Jun 2010	–

9.2 Details of remuneration

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 2007 to 30 June 2008
Details of the remuneration of the key management personnel for the year ended 30 June 2008 are set out in the following table:

Key management personnel		Short term employee benefits			Post employment benefits	Equity based payment	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Performance rights[1] $	Total $
P H Warne	Non-executive Director	137,615	–	–	12,385	–	150,000
J P Henderson	Non-executive Director	85,000	–	–	–	–	85,000
H I Wright	Non-executive Director	77,982	–	–	7,018	–	85,000
A F O Wilkinson	Executive Director	297,741	120,000	–	13,092	181,076	611,909
J T McNally	Executive Director	90,000	–	–	–	–	90,000
B R Howell	Company Secretary	90,000	–	–	–	–	90,000
A J Slade	Investment and Acquisitions Manager	155,575	75,000	–	13,092	40,000	283,667
M J Clarke	Finance Manager	79,536	25,000	–	22,965	–	127,501
		1,013,449	220,000	–	68,552	221,076	1,523,077

1. The equity based payments expense for Mr Wilkinson's performance rights covers the period November 2006 to June 2008.

9.2 Details of remuneration (continued)

Table 2 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 and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	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.

Cash bonuses

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

	Paid		Forfeited	
Name	2008 %	2007 %	2008 %	2007 %
A F O Wilkinson	160	100	–	–
A J Slade	150	100	–	–
M J Clarke	100	100	–	–

9.3 Service agreements

On 30 June 2008, the Company entered into a service agreement with the Managing Director, Mr Wilkinson, relating to the period starting November 2006 and ending on 1 June 2009. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $300,000 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 performance rights over stapled securities, vesting from May 2009 (or earlier if there is a termination after a change of control) are also provided.

In the event of the termination of Mr Wilkinson's employment contract and depending on the reason for the termination, amounts may be payable for unpaid accrued entitlements and a 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 performance right entitlements for the balance of the contract.

At the annual general meeting of the Company to be held on 12 November 2008, the terms of Mr Wilkinson's new contract will be put to a shareholder vote.

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 ALE on a continuous basis that may be terminated at any time.

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9.4 Equity based compensation

The performance rights value disclosed above as part of specified executive remuneration is the assessed fair value at grant date of performance rights granted, allocated equally over the period from grant date to vesting date. The fair value 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 performance right, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the performance right.

10. Stapled securities under performance rights or options

There are no unissued stapled securities under the performance rights plan or options at the date of this report.

11. Stapled securities issued on the exercise of performance rights or options

No stapled securities have been issued during the financial year.

12. Insurance of officers

During the financial year, the Company paid a premium of $24,615 (2007: $28,325) 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.

13. 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 three properties ongoing testing and monitoring is being undertaken and minor remediation work is required; however, ALE is indemnified by third parties against any remediation amounts likely to be required.

14. Non-audit services

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

The Board of Directors has considered the position and in accordance with the advice received from the ACRMC is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out on the following page, 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.

14. Non-audit services (continued)

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

	30 June 2008 $	30 June 2007 $
Audit services		
KPMG 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	125,241	–
Total remuneration for audit services	**125,241**	**–**
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
• in relation to prior year	25,171	28,357
Total remuneration for audit services	**25,171**	**177,794**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	–	18,893
Total remuneration for other assurance services	**–**	**18,893**
Total remuneration for assurance services	**25,171**	**196,687**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	21,700	5,300
Tax consulting services	72,900	38,685
Total taxation services	**94,600**	**43,985**

15. 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 14.

16. 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 19th day of August 2008

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Australian Leisure and Entertainment Property Management Limited,
the Responsible Entity for Australian Leisure and Entertainment Property Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Steve Gatt
Partner

Sydney
19 August 2008

CONSOLIDATED INCOME STATEMENTS /
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Revenue					
Rent from investment properties	6	50,169	47,972	–	–
Interest from investment arrangements	6	2,013	1,963	–	–
Distributions	7	–	–	35,520	31,700
Interest from cash deposits	8	1,055	1,430	115	35
Total revenue		**53,237**	**51,365**	**35,635**	**31,735**
Other income					
Gain on disposal of investment properties	14	–	449	–	–
Fair value adjustments to investment properties	18	(2,098)	81,617	–	–
Fair value adjustments to derivatives	10	716	4,876	(859)	(600)
Total other income		**(1,382)**	**86,942**	**(859)**	**(600)**
Total revenue and other income		**51,855**	**138,307**	**34,776**	**31,135**
Expenses					
Finance costs (cash and non-cash)	9	38,476	34,895	12,912	12,723
Management fees		–	–	2,875	2,335
Queensland land tax expense		1,588	1,309	–	–
Other expenses	12	3,132	2,830	126	105
Total expenses		**43,196**	**39,034**	**15,913**	**15,163**
Profit before income tax		**8,659**	**99,273**	**18,863**	**15,972**
Income tax expense	13	2,122	1,541	–	–
Profit after income tax		**6,537**	**97,732**	**18,863**	**15,972**
Profit attributable to the stapled security holders of ALE		**6,537**	**97,732**	**18,863**	**15,972**
		Cents	Cents	Cents	Cents
Basic and diluted earnings per stapled security	14(a)	7.55	107.48	21.77	17.59
Distribution per stapled security for the year	14(e)	33.60	32.50	33.60	32.50

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

RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITY HOLDERS

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Profit attributable to the stapled security holders of ALE		**6,537**	**97,732**	**18,863**	**15,972**
Adjustments for non-cash items	14	15,124	(79,640)	2,794	2,378
Profit after income tax adjusted for non-cash items		**21,661**	**18,092**	**21,657**	**18,350**
Fair value adjustments to investment properties identified for distribution	14	7,242	11,303	7,242	11,303
Total available for distribution		**28,903**	**29,395**	**28,899**	**29,653**
Distribution paid or provided for		28,899	29,553	28,899	29,553
Available and undistributed for the year	**14**	**4**	**(158)**	**–**	**100**

Basic and diluted earnings per stapled security before fair value, income tax and other amounts is disclosed in Note 14.

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Current assets					
Cash and cash equivalents	15	8,527	24,765	2,100	1,184
Receivables	16	1,906	398	19,883	18,167
Derivatives	11	19,064	11,514	458	170
Loans and deposits – investment properties	19	19,576	19,576	–	–
Current tax asset		1	–	–	–
Other	17	563	1,180	12	12
Total current assets		**49,637**	**57,433**	**22,453**	**19,533**
Non-current assets					
Investment properties	18	820,270	769,110	–	–
Loans and deposits – investment properties	19	2,551	2,551	–	–
Investments in controlled entities	21	–	–	180,656	210,943
Plant and equipment	20	111	51	–	–
Deferred tax asset	25	1,164	1,001	–	–
Total non-current assets		**824,096**	**772,713**	**180,656**	**210,943**
Total assets		**873,733**	**830,146**	**203,109**	**230,476**
Current liabilities					
Payables	22	7,870	6,026	2,784	2,973
Borrowings	24	8,450	–	–	–
Derivatives	11	8,309	1,475	1,829	682
Provisions	23	14,497	15,283	14,460	15,251
Other	23	201	31	–	–
Total current liabilities		**39,327**	**22,815**	**19,073**	**18,906**
Non-current liabilities					
Borrowings	24	564,593	497,805	146,252	144,317
Deferred tax liability	26	5,890	3,605	–	–
Total non-current liabilities		**570,483**	**501,410**	**146,252**	**144,317**
Total liabilities		**609,810**	**524,225**	**165,325**	**163,223**
Net assets		**263,923**	**305,921**	**37,784**	**67,253**
Equity					
Contributed equity	27	60,384	80,241	60,792	80,225
Retained profits	28	203,318	225,680	(23,008)	(12,972)
Reserve	29	221	–	–	–
Total equity		**263,923**	**305,921**	**37,784**	**67,253**
Net assets per stapled security		**$3.08**	**$3.37**	**$0.44**	**$0.74**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY /
FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Parent Entity	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Total equity at the beginning of the year		**305,921**	**239,309**	**67,253**	**82,396**
Profit for the year		6,537	97,732	18,863	15,972
Total recognised income and expenses for the year		**6,537**	**97,732**	**18,863**	**15,972**
Transactions with equity holders in their capacity as equity holders:					
Employee share based payments		221	3	–	–
Stapled securities issued		–	311	–	281
DRP implementation costs		(34)	–	(34)	–
Stapled securities purchased and cancelled	27	(19,823)	(1,881)	(19,399)	(1,843)
Distribution paid or payable	14	(28,899)	(29,553)	(28,899)	(29,553)
		(48,535)	**(31,120)**	**(48,332)**	**(31,115)**
Total equity at the end of the year		**263,923**	**305,921**	**37,784**	**67,253**

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

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Cash flows from operating activities					
Distributions received		–	–	35,520	31,700
Receipts from tenant and others (inclusive of goods and services tax)		50,605	45,375	–	–
Payments to suppliers and employees (inclusive of goods and services tax)		(3,084)	(8,210)	(3,199)	(2,240)
Interest received – bank deposits and investment arrangements		2,419	3,386	115	28
Interest received – interest rate swaps		8,508	1,057	–	–
Borrowing costs paid		(35,727)	(30,194)	(10,977)	(10,945)
Net cash inflow from operating activities	30	**22,721**	**11,414**	**21,459**	**18,543**
Cash flows from investing activities					
Investment property acquisitions		(53,258)	–	–	–
Proceeds from disposal of properties		–	8,598	–	–
Payments for plant and equipment		(113)	(12)	–	–
Net cash outflow from investing activities		**(53,371)**	**8,586**	**–**	**–**
Cash flows from financing activities					
Proceeds from NAB borrowings		36,000	–	–	–
Proceeds from CMBS issue		20,000	–	–	–
Proceeds from short term loan		8,450	–	–	–
Prepaid borrowing costs		(492)	–	–	–
Proceeds from issue of stapled securities		–	311	–	281
Borrowings from/(repayments to) other group entities		–	–	28,579	6,555
Stapled securities purchased under buyback program		(19,823)	(1,881)	(19,433)	(1,843)
DRP implementation costs		(34)	–	–	–
Distributions paid		(29,689)	(22,657)	(29,689)	(22,657)
Net cash outflow from financing activities		**14,412**	**(24,227)**	**(20,543)**	**(17,664)**
Net decrease in cash and cash equivalents		**(16,238)**	**(4,227)**	**916**	**879**
Cash and cash equivalents at the beginning of the year		24,765	28,992	1,184	305
Cash and cash equivalents at the end of the year	15	**8,527**	**24,765**	**2,100**	**1,184**

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

Note 1 Reporting Entity

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 2007 to 30 June 2008.

The stapled securities of ALE are quoted on the Australian Securities 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.

Note 2 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*.

(a) Compliance Statement

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment property is measured at fair value
- liabilities for cash settled share based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are in Australian dollars, which is ALE's functional currency.

ALE is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following Notes:

- Note 4(a) – investment properties
- Note 4(c) and Note 41 – valuation of financial instruments
- Note 31 – measurement of share based payments

Note 3 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) 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.

(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.

Note 3 Summary of significant accounting policies (continued)

(c) 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.

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

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

Subsequent expenditure is capitalised to the properties' carrying amount only when it is probable that future economic benefits associated with the item will flow to ALE and the cost of the item can be reliably measured. Maintenance capital expenditure is the responsibility of the tenant under the triple net leases in place over 102 of the 105 properties. The Group undertakes annual condition and compliance reviews by a qualified independent consultant to ensure properties are properly maintained.

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.

(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 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 the carrying amount. These are included in the income statement.

(f) 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.

Note 3 Summary of significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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 11.

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.

(j) 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.

(k) Distributions and dividends
Provisions are 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.

(l) 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.

(m) 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.

(n) Expenses
Expenses including operating expenses, Queensland land tax and other outgoings (if any) are brought to account on an accruals basis. Borrowing costs are recognised using the effective interest rate method.

(o) 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.

Note 3 Summary of significant accounting policies (continued)

(ii) Share based payments
The grant date fair value of performance rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the performance rights. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest, except for those that fail to vest due to performance hurdles not being met.

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 performance right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the performance right, the share price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The fair value of the performance rights granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

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

(iv) Long service leave
ALE will begin to recognise liabilities for long service leave when employees reach a qualifying period of continuous service (five years). 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. 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.

(p) 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 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.

Note 3 Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Financial risk management
ALE's activities expose it to a variety of financial risks: market 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 and CPI Hedges to hedge certain risk exposures (Notes 5 and 41 provide further information).

(t) New accounting standards and UIG interpretation
The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the ALE's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by ALE's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently ALE presents segment information in respect of its business and geographical segments (see Note 39). Under the management approach, there will be no change to the disclosure;
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for ALE's 30 June 2010 financial statements. ALE has not yet determined the potential effect of the revised standard on ALE's disclosures;
- AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations changes the measurement of share based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for ALE's 30 June 2010 financial statements. ALE has not yet determined the potential effect of the amending standard on the ALE's financial report;
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for ALE's 30 June 2010 financial statements. ALE has not yet determined the potential effect of the revised standard on ALE's financial report; and
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for ALE's 30 June 2010 financial statements and will constitute a change in accounting policy for ALE. In accordance with the transitional provisions ALE will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. ALE has not yet determined the potential effect of the revised standard on future earnings.

(u) 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.

Note 4 Determination of fair values

A number of ALE's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

(a) Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. ALE has a valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with Board approved valuation policy. These external independent valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations of each independent property are prepared by considering the aggregate of the net annual passing rental receivable from the individual properties and where relevant, associated costs. A capitalisation rate, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual passing rentals to arrive at the property valuation. The independent valuer may have regard to other valuation methods in cross checking the primary capitalisation of income method. A table showing the range of capitalisation rates applied to individual properties for each state in which the property is held is included below.

	2008 Yields	2007 Yields
New South Wales	**5.50% – 6.30%**	5.50% – 6.25%
Victoria	**5.75% – 7.00%**	5.42% – 6.75%
Queensland	**5.25% – 7.10%**	5.28% – 7.00%
South Australia	**6.50% – 7.25%**	6.48% – 7.25%
Western Australia	**6.10% – 6.40%**	6.25% – 7.33%

Valuations reflect where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices, and where appropriate, counter-notices have been served validly and within the appropriate time.

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work-in-progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Derivatives

The fair value of interest rate swaps is based on mark-to-market valuation provided by swap counter parties. Those mark-to-market quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using the appropriate market interest rates (including credit margins where appropriate) for a similar instrument at the measurement date.

The fair value of CPI hedges are calculated based on the present value of future principal and interest cash flows, discounted at the appropriate market rate of interest (including credit margins where appropriate) as at the reporting date.

Note 5 Financial Risk Management

Overview

ALE has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This Note presents information about ALE's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Compliance and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by ALE, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and ALE's activities. ALE, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Compliance and Risk Management Committee oversees how management monitors compliance with the ALE's risk management policies and procedures and reviews the adequacy of the risk management framework.

Note 5 Financial Risk Management (continued)

Credit risk

Credit risk is the risk of financial loss to ALE if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the ALE's receivables from the tenant and investment securities. For the Trust it arises from receivables due from subsidiaries.

Trade and other receivables

ALE's exposure to credit risk is influenced mainly by the individual characteristic of each tenant. ALE has one tenant (Australian Leisure and Hospitality Group Limited) and therefore there is significant concentration of credit risk with that tenant. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the tenant has appropriate financial standing.

Liquidity risk

Liquidity risk is the risk that ALE will not be able to meet its financial obligations as they fall due. ALE's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ALE's reputation.

ALE has liquidity risk management policies, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically ALE ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for the purchase/sale of assets for a period of 90 days (or longer if deemed necessary), including the servicing of financial obligations.

Market risk

Market risk is the risk that changes in market prices, such as the consumer price index and interest rates, will affect ALE's income or the value of its holdings of leases and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ALE enters into derivatives and financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit, Compliance and Risk Management Committee.

Interest rate risk and consumer price index risk

ALE adopts a policy of ensuring that all exposure to changes in interest rates on borrowings is hedged. This is achieved by entering into interest rate swaps to fix the interest rate and CPI hedges to match liability movements with movement in property values.

Capital management

ALE regards share capital and some of its financial liabilities as capital and monitors and manages these to address risks and add value where appropriate.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as distributable income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of distributions to security holders.

The Board seeks to maintain a balance between the higher returns that may be achieved with higher levels of borrowings and the advantages and security afforded by a sound capital position. While ALE does not have a specific return on capital target it seeks to ensure that capital is being most efficiently used at all times. In seeking to manage its capital efficiently, ALE from time to time undertakes on-market buybacks of both ALE stapled securities and ALE Notes. ALE has also previously made ongoing capital distribution payments to stapled security holders on a fully transparent basis. Additionally, the available total returns on all new acquisitions are tested against the anticipated weighted cost of capital at the time of the acquisition.

ALE assesses the adequacy of its capital requirements, cost of capital and gearing as part of its broader strategic plan.

Gearing ratios are monitored and increased or decreased progressively based on acquisition opportunities available, the availability of financing and a range of prudent financial metrics both at the time and on a projected basis going forward. The outcome of ALE's strategic planning process plays an important role in determining acquisition and financing priorities over time.

The total gearing ratios at 30 June 2008 and 30 June 2007 were 69.8% and 63.1% respectively.

ALE implemented a stapled security buyback plan on 2 May 2007 which concluded on 2 May 2008.

ALE implemented a buyback plan for ALE Notes on 24 June 2008 which will conclude on 30 September 2011 or earlier if regulatory approvals require or until all ALE Notes have been bought back.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 6 Rent from investment properties and interest from investment arrangements				
Rent from investment properties	50,169	47,972	–	–
Interest from investment arrangements	2,013	1,963	–	–
	52,182	**49,935**	**–**	**–**

The weighted average investment arrangements loan interest as a percentage of investment property loans, deposits and costs equated to a yield of 9.15% (2007: 8.99%).

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.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 7 Distributions received				
Distributions	–	–	35,520	31,700
	–	**–**	**35,520**	**31,700**

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 8 Interest income				
Operating bank and term deposit interest	1,055	1,430	115	35
	1,055	**1,430**	**115**	**35**

As at 30 June 2008 the weighted average interest rate earned on cash was 6.69% (2007: 6.12%).

Note 9 Finance costs (cash and non-cash)

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Finance costs – cash					
Commercial Mortgage Backed Securities (CMBS) interest	(a)	9,684	13,593	–	–
Capital Indexed Bonds (CIB) interest	(b)	4,506	4,436	–	–
National Australia Bank (NAB) Facility	(c)	1,691	–	–	–
ALE Notes interest	(d)	10,928	10,898	10,928	10,898
Other finance expenses	(e)	268	210	49	47
		27,077	**29,137**	**10,977**	**10,945**
Finance costs – non-cash					
CIB interest capitalised	(f)	3,363	3,825	–	–
CPI Hedge interest capitalised	(a)	5,666	–	–	–
Amortised costs – CMBS/CIB issued May 06	(h)	215	155	–	–
Amortised costs – NAB Facility	(i)	99	–	–	–
Amortised costs – CPI hedge	(j)	2	–	–	–
Amortised costs – ALE Notes	(k)	1,459	1,337	1,459	1,337
Amortised costs – ALE Notes premium	(l)	476	441	476	441
Other finance expenses	(e)	119	–	–	–
		11,399	**5,758**	**1,935**	**1,778**
Finance costs (cash and non-cash)		**38,476**	**34,895**	**12,912**	**12,723**

Note 9 Finance costs (cash and non-cash) (continued)

(a) Variable rate interest expense on $225 million CMBS issued during May 2006 and $20 million CMBS issued during August 2007, with a scheduled maturity of May 2011. Variable interest rate on the CMBS borrowings were swapped to a fixed interest rate expense until 7 December 2007 by interest rate swaps. From 7 December 2007 these borrowings are hedged by a CPI Hedge to a fixed interest rate of 3.61% applied to a balance escalating at CPI until November 2023. CPI Hedge capitalised interest is calculated with reference to prevailing inflation rates. Interest that is capitalised is added on to the notional balance on the CPI side of the hedge to calculate interest payable in future periods. The capitalised interest is payable by ALE on maturity of the CPI Hedge which is scheduled for November 2023. The hedge counterparty has a right to break the CPI Hedge thereby requiring that the capitalised amount be paid in December 2012 or December 2017. During the year ending 30 June 2008 $5.708 million of net swap interest from the CPI Hedge was received/receivable.

(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.

(c) Variable rate interest expense on working capital facility drawn to $36 million in November 2007 with a scheduled maturity of November 2011. The variable interest rate is swapped to a fixed rate with an interest rate swap.

(d) 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.

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

(f) 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.

(g) CPI Hedge interest is calculated with reference to prevailing inflation rates. Interest that is capitalised is added to the notional balance of the CPI Hedge to calculate interest payable in future periods. The capitalised interest is payable by ALE on maturity of the CPI Hedge which is scheduled for November 2023. (see (a) above for further details).

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

(i) Establishment costs of NAB Facility established in November 2007 are amortising over the period of November 2007 to May 2011 on an effective rate basis.

(j) Establishment costs of CPI Hedge established during December 2007 are amortising over the period of December 2007 to September 2023 on an effective rate basis.

(k) 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.

(l) Premium of $3.75 million payable on maturity of ALE Notes is accruing over the period of November 2003 to September 2011 on an effective rate basis.

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 14 contains further information).

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Note 10 Current year fair value adjustments to derivatives				
Interest rate swaps fair value adjustments net gain/loss	604	4,876	(859)	(600)
CPI Hedge fair value adjustment net gain	112	–	–	–
	716	**4,876**	**(859)**	**(600)**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 11 Derivative assets/(liabilities)				
Asset	19,064	11,514	458	170
Liability	(8,309)	(1,475)	(1,829)	(682)
Net asset	**10,755**	**10,039**	**(1,371)**	**(512)**

(a) Instruments used by ALE
ALE 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 ALE's financial risk management policies (refer Note 41).

Interest rate swap contracts
In the period to 7 December 2007 ALE had in place swap contracts to cover 100% of interest payments on the $245 million CMBS and on $25 million of the $26 million drawn under the NAB facility. Subsequent drawdowns under the NAB facility have been fully matched with swap contracts. Under these swap contracts ALE is obliged to receive floating rate interest and pay fixed rate interest.

On 7 December 2007 contracts were entered into which offset (on a Group basis) the existing swap contracts for interest on the $245 million CMBS. ALE will continue to receive payments until 2015 arising from the difference between fixed rates payable and fixed rates receivable in respect of the offsetting swaps.

Interest rate swaps remain in place on the $36 million drawn on the NAB facility. The earliest maturity on these swaps is November 2013. The fixed interest rate payable (after swaps) on these borrowings is 6.92% ($25 million) and 7.68% ($11 million).

Interest rate swap contracts – CPI Hedge
From 7 December 2007 ALE has a 16 year CPI Hedge in place in respect of the $245 million of floating rate CMBS. Under the hedge ALE receives floating interest rates plus a margin of 0.2575% and pays a fixed rate of 3.61% on a balance escalating with CPI until November 2023. CPI Hedge capitalised interest is calculated with reference to prevailing inflation rates. Interest that is capitalised is added to the notional balance of the hedge. The capitalised interest is payable by ALE on maturity of the CPI Hedge which is scheduled for November 2023. The hedge counterparty has a right to break the hedge such that the capitalised amount may become payable in December 2012 or December 2017.

At 30 June 2008, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Less than 1 year	–	–	–	–
1 – 2 years	–	–	–	–
2 – 3 years	–	80,000,000	56,250,000	–
3 – 4 years	36,000,000	30,000,000	6,250,000	56,250,000
4 – 5 years	–	–	56,250,000	6,250,000
Greater than 5 years	245,000,000	115,000,000	56,250,000	112,500,000
	281,000,000	225,000,000	175,000,000	175,000,000

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 ALE is 14.9 years.

Post balance date ALE has entered into additional CPI Hedging contracts that hedge all ALE borrowings for a period of 15 years. Refer Note 24 for further details)

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 2008 a gain of $716,000 was transferred to the profit and loss (2007: gain of $4,876,000).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 12 Other expenses				
Accounting services	2	34	–	–
Acquisition proposal due diligence	10	97	–	–
Annual reports	53	66	–	–
Accounting, tax and professional fees	156	178	–	–
Corporate advisory services	120	105	–	–
Depreciation expense – plant and equipment	53	63	–	–
Insurance	72	79	–	–
Legal fees	158	91	–	–
Dispute costs	202	–	–	–
Occupancy costs	114	76	–	–
Other expenses	225	320	1	1
Property condition and compliance audits	–	98	–	–
Registry fees	95	74	–	–
Salaries, fees and related costs	1,630	1,340	–	–
Staff training	36	12	–	–
Taxation services	40	45	–	–
Travel and accommodation	23	30	–	–
Trustee and custodian fees	143	122	125	104
	3,132	**2,830**	**126**	**105**
Note 13 Income tax				
Current tax expense/(benefit)	–	7	–	–
Deferred tax expense	2,122	1,534	–	–
	2,122	**1,541**	**–**	**–**
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax asset (Note 25)	(163)	(423)	–	–
(Decrease)/increase in deferred tax liabilities (Note 26)	2,285	1,957	–	–
	2,122	1,534	–	–
Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	8,659	99,273	18,863	15,972
Less: Profit attributable to entities not subject to tax	(1,607)	(94,034)	(18,863)	(15,972)
Profit before income tax expense subject to tax	7,052	5,239	–	–
Tax at the Australian tax rate 30% (2005: 30%)	2,116	1,572	–	–
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments	66	1	–	–
Other	(104)	1	–	–
Under/(over) provision in prior years	44	(33)	–	–
Income tax expense	**2,122**	**1,541**	**–**	**–**

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 14 Distributions					
Reconciliation of profit after tax to amounts available for distribution:					
Profit after income tax for the year	(a)	**6,537**	**97,732**	**18,863**	**15,972**
Plus/(less)					
Profit on sale of investment properties		–	(449)	–	–
Fair value adjustments to investment properties		2,098	(81,617)	–	–
Fair value adjustments to derivatives		(716)	(4,876)	859	600
Employee share based payments		221	3	–	–
Finance costs – non-cash		11,399	5,758	1,935	1,778
Income tax expense		2,122	1,541	–	–
Adjustments for non-cash items		**15,124**	**(79,640)**	**2,794**	**2,378**
Profit after income tax adjusted for non-cash items	(b)	**21,661**	**18,092**	**21,657**	**18,350**
Plus/(less)					
Fair value adjustments to investment properties identified for distribution	(c)	7,242	11,303	7,242	11,303
Total available for distribution	(d)	**28,903**	**29,395**	**28,899**	**29,653**
Distribution paid or provided for	(e)	28,899	29,553	28,899	29,553
Available and under/(over) distributed for the year	(f)	**4**	**(158)**	**–**	**100**

		Number of Stapled Securities On Issue	Number of Stapled Securities On Issue	Stapled Securities On Issue	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	Note 35	86,631,833	90,928,711	86,631,833	90,928,711
Stapled securities on issue at the end of the year used in calculating distribution per stapled security at (c) below	Note 35	85,813,747	90,660,614	85,813,747	90,660,614

	Note	Consolidated 2008 Cents	Consolidated 2007 Cents	Parent Entity 2008 Cents	Parent Entity 2007 Cents
(a) Basic and diluted earnings per stapled security	35	7.55	107.48	21.77	17.59
(b) Basic and diluted earnings per stapled security before fair value adjustments, non-cash amortisation of borrowing costs and prepaid advisory fees		25.00	19.90	25.00	20.21
(c) Fair value adjustments to investment properties identified for distribution	14(g)	8.41	12.23	8.41	12.23
(d) Total available for distribution		33.41	32.13	33.41	32.44
(e) Distribution per stapled security		33.60	32.50	33.60	32.50
(f) Available and under/(over) distributed for the year		(0.19)	(0.37)	(0.19)	(0.06)

(g) Fair value adjustments to investment properties identified for distribution
For the years ending June 2007 and 2008, ALE had a policy of distributing 50% of property value movements that related to matters other than changes in property capitalisation rates. These included valuation increases relating to the increase in rent and completion of development properties.

For the year ending 30 June 2008, ALE increased the value of its properties by $9.458 million as a direct result of the increases in net rental income. In addition the substantial completion of the Burleigh and Narrabeen Hotels and the sale of the Parkway Hotels as at 30 June 2008 together would have provided a valuation premium of $6.423 million. These increases in values would have totalled $15.881 million of which 45.6% was distributed as an ongoing capital distribution in the current year.

ALE will be revising its distribution policy for future years and will have closer regard to the free cash flow available for distribution.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 15 Cash assets and cash equivalents				
Cash at bank and in hand	**908**	10,215	**42**	416
Deposits at call	**61**	8,282	**–**	–
Cash reserve	**7,558**	6,268	**2,058**	768
	8,527	**24,765**	**2,100**	**1,184**

An amount 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 $2.058 million (2007: $0.768 million) of deposits at call is required to be held as collateral for certain Trust interest rate derivatives.

Following balance debt it is expected that the cash reserve of $2.058 million will be released as security.

During the year ended 30 June 2008 all cash assets were placed on deposit with either the ANZ Banking Group Limited, National Australia Bank Limited or Macquarie Group Limited. As at 30 June 2008 the weighted average interest rate on all cash assets was 7.63% (2007: 5.99%).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 16 Receivables				
Accounts receivable	326	259	–	–
Interest receivable	1,580	139	–	8
Loan to related party – the Company	–	–	1,687	1,671
Loan to related party – the Sub Trust	–	–	18,196	16,488
	1,906	**398**	**19,883**	**18,167**

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 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 17 Other				
Current				
Other prepaid expenses	**563**	**1,180**	**12**	**12**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 18 Investment properties				
Investment properties – at fair value	**820,270**	**769,110**	**–**	**–**
Reconciliation				
A reconciliation of the carrying amounts of investment properties at the beginning and end of the year is set out below:				
Carrying amount at beginning of the year	769,110	695,470	–	–
Additions	–	173	–	–
Acquisitions	53,258	–	–	–
Disposals – at fair value	–	(8,150)	–	–
Net gain from fair value adjustments	(2,098)	81,617	–	–
Carrying amount at the end of the year	**820,270**	**769,110**	**–**	**–**

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2008 $'000	Fair value at 30 June 2007 $'000	Fair value gains/(losses) 30 June 2008 $'000
New South Wales						
Blacktown Inn, Blacktown	Nov-03	5,472	A	8,080	8,080	–
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	B	8,390	8,350	40
Colyton Hotel, Colyton	Nov-03	8,208	A	12,030	12,060	(30)
Crows Nest Hotel, Crows Nest	Nov-03	8,772	B	13,080	12,920	160
Kirribilli Hotel, Kirribilli	Nov-03	5,849	A	8,390	8,360	30
Melton Hotel, Auburn	Nov-03	3,114	B	4,430	4,400	30
New Brighton Hotel, Manly	Nov-03	8,867	B	12,870	12,710	160
Pioneer Tavern, Penrith	Nov-03	5,849	B	8,210	8,170	40
Pritchards Hotel, Mount Pritchard	Oct-07	21,130	B	20,440	–	(690)
Pymble Hotel, Pymble	Nov-03	2,830	B	3,740	3,730	10
Smithfield Tavern, Smithfield	Nov-03	4,151	A	6,260	6,260	–
Total New South Wales properties		**79,902**		**105,920**	**85,040**	**(250)**

Note 18 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2008 $'000	Fair value at 30 June 2007 $'000	Fair value gains/(losses) 30 June 2008 $'000
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	B	11,360	11,270	90
Albion Hotel, Albion	Nov-03	4,434	B	6,740	6,790	(50)
Alderley Arms Hotel, Alderley	Nov-03	3,303	B	4,790	4,870	(80)
Anglers Arms Hotel, Southport	Nov-03	4,434	A	6,640	6,650	(10)
Balaclava Hotel, Cairns	Nov-03	3,304	B	4,700	4,680	20
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	B	13,890	13,700	190
Camp Hill Hotel, Camp Hill	Nov-03	2,265	B	3,340	3,440	(100)
CBX Caloundra Hotel, Caloundra	Oct-05	4,331	A	6,770	6,580	190
Chardons Corner Hotel, Annerly	Nov-03	1,416	A	1,990	2,030	(40)
Dalrymple Hotel, Townsville	Nov-03	3,208	B	4,550	4,560	(10)
Edge Hill Tavern, Manoora	Nov-03	2,359	B	3,780	3,750	30
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	B	4,610	4,570	40
Ferny Grove Tavern, Ferny Grove	Nov-03	5,849	B	8,290	8,320	(30)
Four Mile Creek, Strathpine	Jun-04	3,672	B	5,900	5,560	340
Hamilton Hotel, Hamilton	Nov-03	6,604	B	8,580	8,490	90
Holland Park Hotel, Holland Park	Nov-03	3,774	A	5,930	5,970	(40)
Kedron Park Hotel, Kedron Park	Nov-03	2,265	B	3,190	3,250	(60)
Kirwan Tavern, Townsville	Nov-03	4,434	A	7,080	6,830	250
Lawnton Tavern, Lawnton	Nov-03	4,434	B	6,290	6,270	20
Miami Tavern, Miami	Nov-03	4,057	A	6,550	6,440	110
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	B	4,690	4,780	(90)
Mount Pleasant Tavern, Mackay	Nov-03	1,794	A	2,840	2,740	100
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	B	11,100	10,710	390
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	B	4,530	4,570	(50)
Oxford 152, Bulimba	Nov-03	5,000	B	7,200	7,320	(120)
Palm Beach Hotel, Palm Beach	Nov-03	6,886	B	10,550	10,400	150
Pelican Waters, Caloundra	Jun-04	4,237	B	6,200	6,150	50
Prince of Wales Hotel, Nundah	Nov-03	3,397	A	5,090	5,060	30
Racehorse Hotel, Booval	Nov-03	1,794	A	2,590	2,740	(150)
Redland Bay Hotel, Redland Bay	Nov-03	5,189	A	7,620	7,600	20
Royal Exchange Hotel, Toowong	Nov-03	5,755	B	8,650	8,550	100
Springwood Hotel, Springwood	Nov-03	9,150	B	12,970	12,860	110
Stones Corner Hotel, Stones Corner	Nov-03	5,377	B	8,510	8,420	90
Sunnybank Hotel, Sunnybank	Nov-03	8,208	A	11,570	12,020	(450)
Vale Hotel, Townsville	Nov-03	5,661	A	8,990	8,630	360
Wilsonton Hotel, Toowoomba	Nov-03	4,529	A	6,580	6,430	160
Total Queensland properties		**166,391**		**244,650**	**243,000**	**1,650**

Note 18 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2008 $'000	Fair value at 30 June 2007 $'000	Fair value gains/(losses) 30 June 2008 $'000
South Australia						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	B	4,810	4,730	80
Enfield Hotel, Clearview	Nov-03	2,454	B	3,710	3,600	110
Eureka Tavern, Salisbury	Nov-03	3,303	B	4,820	4,720	100
Exeter Hotel, Exeter	Nov-03	1,888	A	2,800	2,780	20
Finsbury Hotel, Woodville North	Nov-03	1,605	B	2,370	2,320	50
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	A	3,290	3,280	10
Hendon Hotel, Royal Park	Nov-03	1,605	B	2,420	2,370	50
Ramsgate Hotel, Henley Beach	Nov-03	3,774	B	5,650	5,580	70
Stockade Tavern, Salisbury	Nov-03	4,435	A	6,650	6,580	70
Total South Australian properties		**24,538**		**36,520**	**35,960**	**560**
Victoria						
Ashley Hotel, Braybrook	Nov-03	3,963	B	5,790	5,890	(100)
Bayswater Hotel, Bayswater	Nov-03	9,905	B	14,520	14,760	(240)
Berwick Inn, Berwick	Feb-06	15,888	A	17,730	17,660	70
Blackburn Hotel, Blackburn	Nov-03	9,433	B	13,580	13,780	(200)
Blue Bell Hotel, Wendouree	Nov-03	1,982	A	3,040	3,190	(150)
Boundary Hotel, East Bentleigh	Jun-08	17,935	A	19,200	–	1,265
Burvale Hotel, Nunawading	Nov-03	9,717	A	14,540	15,130	(590)
Club Hotel – FTG, Ferntree Gully	Nov-03	5,095	B	7,380	7,450	(70)
Cramers Hotel, Preston	Nov-03	8,301	B	13,600	13,670	(70)
Daveys Hotel, Frankston	Nov-03	2,548	B	4,130	4,180	(50)
Deer Park Hotel, Deer Park	Nov-03	6,981	B	10,730	10,810	(80)
Doncaster Inn, Doncaster	Nov-03	12,169	B	17,210	17,420	(210)
Elsternwick Hotel, Elwood	Nov-03	3,303	A	4,800	4,990	(190)
Eltham Hotel, Eltham	Nov-03	4,717	B	7,300	7,430	(130)
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	B	7,830	7,930	(100)
Gateway Hotel, Corio	Nov-03	3,114	A	4,900	5,130	(230)
Keysborough Hotel, Keysborough	Nov-03	9,622	A	13,550	14,090	(540)
Mac's Melton Hotel, Melton	Nov-03	6,886	B	9,790	9,950	(160)
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	B	11,540	11,730	(190)
Mitcham Hotel, Mitcham	Nov-03	8,584	A	12,470	12,470	–
Morwell Hotel, Morwell	Nov-03	1,511	B	2,390	2,420	(30)
Mountain View Hotel, Glen Waverley	Nov-03	7,169	B	11,590	11,730	(140)
Olinda Creek Hotel, Lilydale	Nov-03	3,963	B	5,680	5,780	(100)
Pier Hotel, Frankston	Nov-03	8,019	B	11,360	11,400	(40)
Plough Hotel, Mill Park	Nov-03	8,490	A	12,310	12,330	(20)
Prince Mark Hotel, Doveton	Nov-03	9,810	B	14,320	14,500	(180)
Rifle Club Hotel, Williamstown	Nov-03	2,737	B	4,420	4,450	(30)
Rose Shamrock & Thistle, Reservoir	Nov-03	2,642	B	3,990	4,020	(30)
Royal Hotel – Essendon, Essendon	Nov-03	4,340	B	6,410	6,460	(50)
Royal Exchange, Traralgon	Nov-03	2,171	A	3,440	3,500	(60)
Royal Hotel – Sunbury, Sunbury	Nov-03	3,114	A	4,350	4,520	(170)
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	A	16,920	16,890	30
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	B	9,070	9,200	(130)
Sandringham Hotel, Sandringham	Nov-03	4,529	B	7,220	7,330	(110)
Somerville Hotel, Somerville	Nov-03	2,642	B	4,310	4,360	(50)

Note 18 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2008 $'000	Fair value at 30 June 2007 $'000	Fair value gains/(losses) 30 June 2008 $'000
Victoria (continued)						
Stamford Inn, Rowville	Nov-03	12,733	A	18,690	18,660	30
Sylvania Hotel, Campbellfield	Nov-03	5,377	B	7,780	7,850	(70)
Tudor Inn, Cheltenham	Nov-03	5,472	B	8,120	8,180	(60)
The Vale Hotel, Mulgrave	Nov-03	5,566	B	8,290	8,410	(120)
Victoria Hotel, Shepparton	Nov-03	2,265	A	3,480	3,780	(300)
Village Green Hotel, Mulgrave	Nov-03	12,546	B	18,080	18,170	(90)
Westmeadows Tavern, Westmeadows	Nov-03	2,737	B	4,110	4,140	(30)
Young & Jacksons, Melbourne	Nov-03	6,132	A	8,090	8,410	(320)
Total Victorian properties		**284,109**		**408,050**	**394,150**	**(4,035)**
Western Australia						
Balmoral Hotel, East Victoria Park	Jul-07	6,377	B	6,280	–	(98)
The Brass Monkey Hotel, Northbridge	Nov-07	7,815	B	7,420	–	(395)
Queens Tavern, Highgate	Nov-03	4,812	A	7,230	6,880	350
Sail & Anchor Hotel, Freemantle	Nov-03	3,114	B	4,200	4,080	120
Total Western Australian properties		**22,118**		**25,130**	**10,960**	**(23)**
Total investment properties		**577,058**		**820,270**	**769,110**	**(2,098)**

Reconciliation of fair value gains/losses for year ending 30 June 2008	
Fair value as 30 June 2007	769,110
Disposals during the year ended 30 June 2008	–
Additions during year ended 30 June 2008	53,258
Carrying amount before 30 June 2008 valuations	822,368
Fair value at 30 June 2008	820,270
Fair value gain/(loss) for year ended 30 June 2008	**(2,098)**

Valuation type and date
A Independent valuations conducted during June 2008 with a valuation date of 30 June 2008.
B Directors' valuations conducted June 2008 with a valuation date of 30 June 2008.

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 2008
In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 36 properties were independently valued as at 30 June 2008. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date" (above). These valuations were completed by DTZ Australia (NSW) Pty Limited. As at June 2008 the weighted average investment property capitalisation rate used to determine the value of the investment properties was 6.20% (2007: 6.07%).

Note 18 Investment properties (continued)

Directors' valuations as at 30 June 2008
36 of ALE's portfolio of 99 completed properties (an additional three property acquisitions remain subject to completion, refer to Note 19) were independently valued as at 30 June 2008. The remaining 67 completed properties were subject to Directors' valuations as at 30 June 2008, identified as "B". The Directors' valuations were determined by taking each property's net rent as at 31 May 2008 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 June 2008 independent valuations on a state by state basis.

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 2008, three of the properties are yet to be acquired (Note 19 contains further information).

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Note 19 Loans and deposits – investment properties				
Current	**19,576**	**19,576**	**–**	**–**
Non-current	**2,551**	**2,551**	**–**	**–**

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

As at 30 June 2008 Property	Expected acquisition quarter ending	Deposits (10% of purchase price) $'000	Loans (90% of purchase price) $'000	Costs $'000	Total acquisition costs $'000
Current					
Burleigh Heads Hotel, Burleigh Heads, QLD	Sep 2008	–	5,914	–	5,914
Narrabeen Sands Hotel, Narrabeen, NSW	Sep 2008	–	7,914	–	7,914
Parkway Hotel, Frenchs Forest, NSW	Sep 2008	–	5,748	–	5,748
		–	**19,576**	**–**	**19,576**
Non-current					
Burleigh Heads Hotel, Burleigh Heads, QLD	Sep 2008	658	–	114	772
Narrabeen Sands Hotel, Narrabeen, NSW	Sep 2008	879	–	152	1,031
Parkway Hotel, Frenchs Forest, NSW	Sep 2008	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 18)					**820,270**
Total investment properties and loans and deposits – investment properties					**842,397**

Note 19 Loans and deposits – investment properties (continued)

As at 30 June 2007 Property	Expected acquisition quarter ending	Deposits (10% of purchase price) $'000	Loans (90% of purchase price) $'000	Costs $'000	Total acquisition costs $'000
Current					
Burleigh Heads Hotel, Burleigh Heads, QLD	Dec 2007	–	5,914	–	5,914
Narrabeen Sands Hotel, Narrabeen, NSW	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, QLD	Dec 2007	658	–	114	772
Narrabeen Sands Hotel, Narrabeen, NSW	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 18)					**769,110**
Total investment properties and loans and deposits – investment properties					**791,237**

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 2008 the annual interest receivable was $2,025,000 (June 2007: $1,990,000). This equates to a weighted average interest rate of 10.34% (June 2007: 10.17%) on the loan amount of $19,576,000 (June 2007: $19,576,000) and a weighted average interest rate of 8.84% (June 2007: 8.69%) on the purchase price of $22,898,000 (June 2007: $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.

The Parkway development has not commenced. After the balance date ALE's interest in the Parkway development was sold for $8.45 million.

As at the balance date ALE obtained the following valuations relating to the imminent completion of the two remaining development properties:

Property	Valuer	Value
Burleigh Heads Hotel, Burleigh Heads, QLD	DTZ	$10.4m
Narrabeen Sands Hotel, Narrabeen, NSW	JLL	$9.7m

The valuation or sale price of the three development properties existing at balance date together represent a $4.5 million premium to the book value of the properties as at balance date. Final independent valuations will be sought upon completion (expected by 30 September 2008).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 20 Plant and equipment				
Furniture, fittings and equipment				
At Cost	63	63	–	–
Accumulated depreciation	(40)	(34)	–	–
	23	29	–	–
Software				
At Cost	85	80	–	–
Accumulated depreciation	(65)	(60)	–	–
	20	20	–	–
Office fitout				
At Cost	180	85	–	–
Accumulated depreciation	(112)	(83)	–	–
	68	2	–	–
Total				
At Cost	328	228	–	–
Accumulated depreciation	(217)	(177)	–	–
Net book value	**111**	**51**	**–**	**–**
Movement in Plant and Equipment				
Furniture, fittings and equipment				
Net book value at the beginning of the year	29	34	–	–
Additions	–	4	–	–
Depreciation charge	(6)	(9)	–	–
Net book value at the end of the year	23	29	–	–
Software				
Net book value at the beginning of the year	20	36	–	–
Additions	19	8	–	–
Disposals	(2)	–	–	–
Depreciation charge	(17)	(24)	–	–
Net book value at the end of the year	20	20	–	–
Office fitout				
Net book value at the beginning of the year	2	31	–	–
Additions	94	–	–	–
Depreciation charge	(28)	(29)	–	–
Net book value at the end of the year	68	2	–	–
Total				
Net book value at the beginning of the year	51	101	–	–
Additions	113	12	–	–
Disposals	(2)	–	–	–
Depreciation charge	(51)	(62)	–	–
Net book value at the end of the year	**111**	**51**	**–**	**–**
Note 21 Investment in controlled entities				
Unlisted units in controlled trust:				
Sub Trust	–	–	180,656	210,943
	–	**–**	**180,656**	**210,943**

The Trust owns 100% of the issued units of the Sub Trust.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 22 Payables				
Trade creditors	165	62	–	–
Interest accrued on CMBS	2,243	1,708	–	–
Interest accrued on CIB	524	506	–	–
Interest accrued on NAB Facility	349	–	–	–
Interest accrued on ALE Notes	2,747	2,747	2,747	2,747
Other accruals	1,842	1,003	37	226
	7,870	**6,026**	**2,784**	**2,973**
Note 23 Provisions and other liabilities				
(a) Provisions				
Provision for distribution	14,460	15,251	14,460	15,251
Provision for annual leave	37	32	–	–
	14,497	**15,283**	**14,460**	**15,251**
(b) Current liabilities – other				
Unearned interest income	**201**	**31**	**–**	**–**
Note 24 Borrowings				
Current borrowings	**8,450**	**–**	**–**	**–**
Non-current borrowings	**564,593**	**497,805**	**146,252**	**144,317**
Current borrowings – Comprising				
Loan at call – ALH	**8,450**	**–**	**–**	**–**

On 27 June 2008 ALE purchased the Boundary Hotel from Orchard Diversified Property Fund. The acquisition was funded by cash and a short term loan from ALH of $8.45 million. The loan was interest free and repayable within 30 days of the acquisition of Boundary. The loan was repaid following the disposal of ALE's interest in the Parkway Hotel to ALH on 28 July 2008.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Non-current borrowings – comprising (net of amortised costs)				
CIB – maturing November 2023	132,492	129,107	–	–
CMBS – maturing May 2011	244,345	224,381	–	–
ALE Notes – maturing September 2011	146,252	144,317	146,252	144,317
NAB Facility – maturing May 2011	35,911	–		
CPI Hedge – maturing November 2023	5,593	–	–	–
	564,593	**497,805**	**146,252**	**144,317**
CIB				
Opening balance	129,107	125,275		
Capitalised interest	3,363	3,825	–	–
Prepaid borrowing establishment costs capitalised	–	(11)	–	–
Amortisation of prepaid borrowing establishment costs capitalised	22	18	–	–
Closing balance	**132,492**	**129,107**	**–**	**–**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 24 Borrowings (continued)				
CMBS				
Opening balance	224,381	224,251	–	–
Issued August 2007	20,000	–	–	–
Prepaid borrowing establishment costs capitalised	(229)	(7)	–	–
Amortisation of prepaid borrowing establishment costs capitalised	193	137	–	–
Closing balance	**244,345**	**224,381**	**–**	**–**
ALE Notes				
Opening balance	144,317	142,539	144,317	142,539
Amortisation of prepaid borrowing establishment costs capitalised	1,459	1,337	1,459	1,337
Premium payable at maturity – accrued	476	441	476	441
Closing balance	**146,252**	**144,317**	**146,252**	**144,317**
NAB – Working capital facility				
Opening balance	–	–	–	–
Drawdown – October 2007	26,000	–	–	–
Drawdown – January 2008	10,000	–	–	–
Prepaid borrowing establishment costs capitalised	(188)	–	–	–
Amortisation of prepaid borrowing establishment costs capitalised	99	–	–	–
Closing balance	**35,911**	**–**	**–**	**–**
CPI Hedge				
Opening balance	–	–		
Capitalised interest	5,666	–	–	–
Prepaid borrowing establishment costs capitalised	(75)	–	–	–
Amortisation of prepaid borrowing establishment costs capitalised	2	–	–	–
Closing balance	**5,593**	**–**	**–**	**–**

(a) CIB
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 national 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 in November 2023.

(b) CMBS
$225 million CMBS were issued during May 2006 and $20 million CMBS were issued during August 2007, with a scheduled maturity of May 2011. ALE's $245 million of CMBS variable interest rate exposure is fully hedged (100% fixed) up until November 2023. This has been achieved by the use of a CPI Hedge to swap the variable interest rate to a fixed interest rate of 3.61% on an amount of $245 million which amount escalates with CPI until November 2023.

(c) ALE Notes
$150 million of ALE Notes were issued on 7 November 2003 with a scheduled maturity date of 30 September 2011. A fixed rate interest of 7.265% is payable semi-annually on the Notes. A 2.5% redemption premium of $3.75 million is payable on the maturity date. On 24 June 2008 ALE announced its intention to conduct an on-market buyback of ALE Notes. As at the date of this report no ALE Notes had been bought back and cancelled.

(d) NAB Facility
In October 2007 ALE established a $55 million working capital facility with National Australia Bank. The NAB facility has a floating interest rate and is subject to review in May 2011.

Note 24 Borrowings (continued)

(e) CPI Hedge
A fixed rate of interest of 3.61% p.a. applies to the CPI Hedge and is payable quarterly with the notional balance of the CPI Hedge escalating quarterly in line with the relevant consumer price index. The increase in the outstanding balance escalation is referred to as capitalised interest and is not payable until maturity of the CPI Hedge in November 2023. The hedge counterparty has a right to break the hedge such that the capitalised amount may become payable in December 2012 or December 2017.

Subsequent to the balance date an additional CPI Hedge was established totalling $205 million in two tranches. A real base interest of 3.77% per annum applies to the CPI Hedge and is settled quarterly with the notional balance of the CPI Hedge escalating quarterly in line with the relevant consumer price index. The increase in the outstanding balance is referred to as capitalised interest and is not payable until maturity of the CPI Hedge in November 2023 (or earlier five year extension dates). The hedge counterparty has a right not to extend the hedge such that the capitalised amount may become payable in May 2013 and May 2018. This CPI Hedge covers the ALE Notes and NAB Facility borrowings.

Note 9 provides further information on ALE's borrowings.

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

	Consolidated	
	2008 $'000	2007 $'000
Current assets		
Cash reserve	**7,558**	**6,268**
Non-current assets		
Total investments properties	842,397	791,237
Less: Properties not subject to mortgages		
Boundary Hotel, VIC	(19,200)	–
Pritchard's Hotel, Mt Pritchard, NSW	(20,440)	–
Balmoral Hotel, East Victoria Park, WA	(6,280)	–
The Brass Monkey Hotel, Northbridge, WA	(7,420)	–
Properties subject to first mortgages	**789,057**	**791,237**
Total assets	**796,615**	**797,505**

Subsequent to balance date the Parkway Hotel, NSW was removed and the Balmoral Hotel, WA added to the assets pledged as security.

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 remaining business assets of ALH.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 25 Deferred tax asset				
Deferred tax asset	**1,164**	**1,001**	**–**	**–**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivatives – interest rate swaps	449	238	–	–
Employee benefits	11	9	–	–
Acquisition proposal due diligence costs (2006)	186	286	–	–
Other accruals	125	107		
Tax losses	393	361	–	–
Net deferred tax assets	**1,164**	**1,001**	**–**	**–**
Movements:				
Opening balance	1,001	578	–	–
Credited/(charged) to the income statement (Note 13)	163	423	–	–
Credited/(charged) to equity	–	–	–	–
Closing balance	**1,164**	**1,001**	**–**	**–**
Deferred tax assets to be recovered within 12 months	232	572	–	–
Deferred tax assets to be recovered after more than 12 months	932	429	–	–
	1,164	**1,001**	**–**	**–**
Note 26 Deferred tax liability				
Deferred tax liability	**5,890**	**3,605**	**–**	**–**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Derivatives – interest rate swaps	5,512	3,403	–	–
Interest income earned but not received	14	14	–	–
CIB interest amortisation	226	110	–	–
CIB and CMBS amortisation of costs	138	78		
Net deferred tax liability	**5,890**	**3,605**	**–**	**–**
Movements:				
Opening balance	3,605	1,648	–	–
Charged / (credited) to income statement (Note 13)	2,285	1,957	–	–
Closing balance	**5,890**	**3,605**	**–**	**–**
Deferred tax liabilities to be recovered after more than 12 months	5,875	3,591	–	–
Deferred tax liabilities to be recovered within 12 months	15	14	–	–
	5,890	**3,605**	**–**	**–**

	Consolidated 2008 $'000	2007 $'000	Parent Entity 2008 $'000	2007 $'000
Note 27 Contributed equity				
Balance at the beginning of the period	80,241	81,787	80,225	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	–	–
DRP implementation costs	(34)	–	(34)	–
Stapled securities cancelled as part of on-market security buyback program	(19,823)	(1,881)	(19,399)	(1,843)
	60,384	**80,241**	**60,792**	**80,225**

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	90,660,614	90,800,100	90,660,614	90,800,100
Issue of stapled securities	–	300,000	–	300,000
Stapled securities cancelled upon buyback	(4,846,867)	(439,486)	(4,846,867)	(439,486)
Balance at the end of the period	**85,813,747**	**90,660,614**	**85,813,747**	**90,660,614**

Stapled securities
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 10.58% 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 ALE announced its intention to buyback up to 9,080,010 stapled securities on-market. During the financial year ALE purchased and cancelled 4,846,867 stapled securities. Contributed equity was reduced by the total cost of $19,823,000. The security buyback concluded in May 2008.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 28 Retained profits				
Balance at the beginning of the year	225,680	157,501	(12,972)	609
Profit attributable to stapled security holders	6,537	97,732	18,863	15,972
Total available for appropriation	**232,217**	**255,233**	**5,891**	**16,581**
Distributions provided for or paid during the year	(28,899)	(29,553)	(28,899)	(29,553)
Balance at the end of the year	**203,318**	**225,680**	**(23,008)**	**(12,972)**
Retained earnings balance at the end of the year is comprised of the following amounts:				
Fair value adjustments – investment properties (non-cash)	245,034	247,132	–	–
Fair value adjustments – investment properties (non-cash) – distributed	(18,688)	(11,303)	(18,688)	(11,303)
Fair value adjustments – investment properties (non-cash) – not distributed	226,346	235,829	(18,688)	(11,303)
Fair value adjustments to derivatives (non-cash) – not distributed	10,612	9,897	(1,371)	(512)
Total fair value adjustments not distributed	**236,958**	**245,726**	**(20,059)**	**(11,815)**
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	(349)	(156)	–	–
Amortised costs – ALE Notes issued November 2006	(5,833)	(4,374)	(5,833)	(4,374)
Amortised costs – ALE Notes premium	(1,938)	(1,462)	(1,938)	(1,462)
Amortised costs – NAB Facility	(99)	–	–	
Amortised costs – CPI Hedge	(2)	–	–	
Capitalised interest – CIB issued May 2006	(7,715)	(4,352)	–	–
Capitalised interest – CPI Hedge	(5,666)	–	–	
Amortised costs – CIB issued May 2006	(43)	(21)	–	–
Profit on sale of investment properties	449	449	–	–
Income tax expense	(4,725)	(2,603)	–	–
Total non-cash expenses added back to profit to arrive at profit available for distribution	**(43,201)**	**(29,799)**	**(7,771)**	**(5,836)**
Other amounts not distributed	3,338	3,530	(1,401)	(1,544)
	203,318	**225,680**	**(23,008)**	**(12,972)**
Note 29 Reserve				
Balance at the beginning of the year	–	21	–	–
Employee share based payments	221	3	–	–
Transfer to contributed equity upon exercise of options	–	(24)	–	–
	221	**–**	**–**	**–**

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 one ordinary share.

Share based payments are detailed further in Note 31.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Note 30 Reconciliation of profit after income tax to net cash inflows from operating activities				
Profit for the year	6,537	97,732	18,863	15,972
Plus/(less):				
Fair value adjustment to investment property	2,098	(81,617)	–	–
Fair value adjustment to derivative financial instruments	(716)	(5,018)	859	600
Finance costs amortisation	2,251	1,933	1,935	1,778
Gain on disposal of investment property	–	(449)	–	–
Capitalised interest on CIB	3,363	3,825	–	–
Capitalised interest on CPI Hedge	5,666	–	–	–
Share based payments expense	221	3	–	–
Depreciation	53	62	–	–
Decrease/(increase) in receivables	(1,508)	615	(9)	(7)
Decrease/(increase) in current tax asset	(1)	7	–	–
Decrease/(increase) in deferred tax asset	(163)	(423)	–	–
Decrease/(increase) in other assets	617	(1,315)	–	–
Increase/(decrease) in payables	1,843	(1,573)	(189)	200
Increase/(decrease) in provisions	5	(29)	–	–
Increase/(decrease) in other liabilities	170	(4,296)	–	–
Increase/(decrease) in deferred tax liability	2,285	1,957	–	–
Net cash inflow from operating activities for the year	**22,721**	**11,414**	**21,459**	**18,543**

Note 31 Share based payments

During 2007 ALE established a Performance Rights Plan that entitles key management personnel, subject to performance, to become entitled to acquire stapled securities. On 12 December 2007 and 30 June 2008 grants of performance rights (PR) were made to Mr Wilkinson and Mr Slade respectively. In accordance with the plan the performance rights vest upon performance hurdles being achieved. The securities issued under the plan are issued at nil cost to the employee.

The terms and conditions of the grants are as follows;

Employee entitled	Grant date	Number of PRs	Vesting conditions	Contractual life of PRs
A F O Wilkinson	12 Dec 2007	90,516	1. Service period 2. Total Shareholder Return (TSR) compared to comparative group 3. Absolute TSR	1 Jun 2009
A J Slade	30 Jun 2008	15,552	1. Service period 2. Total Shareholder Return (TSR) compared to comparative group 3. Absolute TSR	30 Jun 2010

The vesting conditions for Mr Wilkinson's performance rights are tested on 31 May 2009.

The vesting conditions for Mr Slade's performance rights are tested annually on 30 June each year. One third of the number of performance rights issued are tested at each 30 June over a three year period.

Note 31 Share based payments (continued)

The number and weighted average fair values of the performance rights on issue are as follows:

	Weighted average fair value 2008	Number of performance rights 2008	Weighted average fair value 2007	Number of performance rights 2007
Outstanding at 1 July	–	–	–	–
Granted during period	106,068	3.03	–	–
Outstanding at 30 June	**106,068**	**3.03**	**–**	**–**

The performance rights outstanding at 30 June 2008 will be issued at nil cost to the employee if and when they vest.

The performance rights value is the assessed fair value at grant date of the performance rights, allocated equally over the period from grant date to vesting date. The fair value 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 performance rights, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the performance rights, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the performance rights.

Note 32 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
A J Slade	Investment and Acquisitions Manager
B R Howell	Company Secretary and Compliance Officer
M J Clarke	Finance Manager

(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 2008 $	2007 $
Short term employee benefits	1,233,449	1,067,198
Post employment benefits	68,552	54,015
Share based payments	221,076	2,891
	1,523,077	**1,124,104**

ALE has taken advantage of the relief provided by Corporations Regulation CR2M.6.04 and has transferred the detailed remuneration disclosures to Section 9 of the Directors' Report.

Note 33 Remuneration of Auditors

	Consolidated 2008 $	Consolidated 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Audit services				
KPMG 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	125,241	–	–	–
• in relation to prior year	–	–	–	–
Total remuneration for audit services	**125,241**	**–**	**–**	**–**
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	–	–
• in relation to prior year	25,171	28,357	–	–
Total remuneration for audit services	**25,171**	**177,794**	**–**	**–**
Other assurance services				
PricewaterhouseCoopers Australian firm:				
General accounting advice (including AIFRS)	–	18,893	–	–
Total remuneration for other assurance services	**–**	**18,893**	**–**	**–**
Total remuneration for assurance services	**25,171**	**196,687**	**–**	**–**
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	21,700	5,300	–	–
Tax consulting services	72,900	38,685	–	–
Total taxation services	**94,600**	**43,985**	**–**	**–**

Note 34 Related party transactions

(a) Parent entity, subsidiaries and associates
Details are set out in Note 38.

(b) Key management personnel
Key management personnel and their compensation is set out in Note 32 and Section 9 of the Directors Report.

(c) Transactions with related parties
For the year ended 30 June 2008 the Company had charged the Trust $2,874,89 in management fees (2007: $2,334,810) and the Finance Company had charged the Sub Trust $23,048,827 in interest (2007: $21,614,426).

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 2,706,162 stapled securities in the ALE Property Group. With the exception of his own holding, Peter Warne is not involved in any of the decision making processes regarding those securities held by Next Financial in the ALE Property Group. Procedures have been put into place to ensure Peter Warne's independence and confidentiality of information are maintained.

Peter Warne is a director of Macquarie Group 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 35 Commitments

(a) Capital commitments
ALE 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).

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 has entered into a non-cancellable operating lease for its office premises at Level 7, 1 O'Connell Street, Sydney. The minimum net lease commitments under this lease are:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	111	110	–	–
Later than one year but not later than five years	166	274	–	–
Later than five years	–	–	–	–
	277	**384**	**–**	**–**

	Consolidated 30 June 2008 cps	Consolidated 30 June 2007 cps	Parent Entity 30 June 2008 cps	Parent Entity 30 June 2007 cps
Note 36 Earnings per stapled security				
Basic and diluted earnings per stapled security	7.55	107.48	21.77	17.59
	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	86,631,833	90,928,711	86,631,833	90,928,711
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	86,631,833	90,928,711	86,631,833	90,928,711

cps = cents per stapled security

Note 37 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 10 year terms), there is a call option for the landlord (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence is to be included or excluded at the tenant's option. These assets are to be purchased at current value as determined by the valuation methodology set out in the lease. The landlord must pay the purchase price on expiry of the lease.

Bank guarantee

The Company has entered into a bank guarantee of $58,135 in respect of its office tenancy at Level 7, 1 O'Connell Street, Sydney.

Note 38 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 39 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 40 Events occurring after reporting date

On 9 July 2008 ALE entered into a second CPI Hedge that hedged real base interest rates on $186 million of debt at 3.77% for 15 years. This transaction substantially reduces the interest rate risk from the refinancing of debt that will occur in 2011 and further reduces the potential volatility in distributions over the long term. On 1 August 2008 ALE extended the second CPI Hedge entered into on 9 July 2008 by a further $19 million.

On 28 July 2008 ALE disposed of its interest in the Parkway Hotel, Frenchs Forest for $8.45 million. The sales represents a 30% premium to the book value of the investment as at 30 June 2008.

Other than the matters disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of ALE, the results of those operations, or the state of affairs of ALE, in future financial years.

Note 41 Financial instruments

(a) Credit risk

ALE's 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 is monitored, on a continuous basis to determine that the tenant has appropriate financial standing having regard to 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 is monitored on a continuous basis to determine that Foster's Group Limited has appropriate financial standing having regard to the various security arrangements that are in place.

Credit risk on cash is managed by ensuring all cash deposits are held with major domestic banks.

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.

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Exposure to credit risk				
Receivables [1]	1,906	398	–	8
Loans and deposits – investment properties	22,127	22,127	–	–
Cash and cash equivalents	8,527	24,765	**2,100**	1,184
	32,560	**47,290**	**2,100**	**1,192**

	2008		2007	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Impairment losses				
The aging trade receivables at balance date was:				
Not past due	1,716	–	8	–
Past due 0-30 days	–	–	–	–
Past due 31-120 days	190	–	–	–
More than one year	–	–	–	–
	1,906	**–**	**8**	**–**

1 Excluding related party balances

Based on historic default rates, ALE believes that no impairment allowances are necessary in respect of trade receivables as the receivables relate to tenants assessed by ALE as having good credit history.

(b) Liquidity risk

The following are the contracted maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated 30 June 2008	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities							
Trade and other payables	7,870	(7,870)	(7,870)	–	–	–	–
CIB	132,492	(305,047)	(2,314)	(2,365)	(4,836)	(15,394)	(280,138)
CMBS	244,345	(306,956)	(9,828)	(9,668)	(19,495)	(267,965)	–
ALE Notes	146,252	(189,265)	(5,493)	(5,404)	(10,897)	(167,471)	–
NAB Facility	35,911	(69,580)	(2,517)	(2,486)	(4,994)	(59,583)	–
Current borrowings	8,450	(8,450)	(8,450)	–	–	–	–
Derivative financial instruments							
Interest rate swaps	(10,643)	12,051	1,509	1,606	2,947	5,303	686
CPI Hedge	5,481	(32,762)	5,248	5,160	9,865	27,896	(80,931)
	570,158	**(907,879)**	**(29,715)**	**(13,157)**	**(27,410)**	**(477,214)**	**(360,383)**

Note 41 Financial instruments (continued)

Consolidated 30 June 2007	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities							
Trade and other payables	6,026	(6,026)	(6,026)	–	–	–	–
CIB	129,107	(284,249)	(2,221)	(2,246)	(4,576)	(14,426)	(260,780)
CMBS	224,381	(312,774)	(8,052)	(8,096)	(16,237)	(280,389)	–
ALE Notes	144,317	(200,164)	(5,493)	(5,404)	(10,898)	(178,369)	–
NAB Facility	–	–	–	–	–	–	–
Derivative financial instruments							
Interest rate swaps	(10,039)	6,406	611	593	1,312	2,984	906
CPI Hedge	–	–	–	–	–	–	–
	493,792	**(796,807)**	**(21,181)**	**(15,153)**	**(30,399)**	**(470,200)**	**(259,874)**

Parent Entity 30 June 2008	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities							
Trade and other payables	2,784	(2,784)	(2,784)	–	–	–	–
ALE Notes	146,252	(189,265)	(5,493)	(5,404)	(10,897)	(167,471)	–
Derivative financial instruments							
Interest rate swaps	(1,371)	–	–	–	–		–
	147,665	**(192,049)**	**(8,277)**	**(5,404)**	**(10,897)**	**(167,471)**	**–**

Parent Entity 30 June 2007	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities							
Trade and other payables	2,973	(2,973)	(2,973)	–	–	–	–
ALE Notes	144,317	(200,164)	(5,493)	(5,404)	(10,898)	(178,369)	–
Derivative financial instruments							
Interest rate swaps	(512)	–	–	–	–	–	–
	146,778	**(203,137)**	**(8,466)**	**(5,404)**	**(10,898)**	**(178,369)**	**–**

Interest rates used to determine contracted cash flows
The interest rates used to determine the contracted cash flows, where applicable, are based on the interest rates, including the relevant credit margin, applicable to the financial liabilities at balance date. The contracted cash flows have not been discounted.

Note 41 Financial instruments (continued)

(c) Interest rate risk

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 liabilities 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 liabilities impact upon the net equity value of ALE.

Profile

At the reporting date the interest rate profile of ALE and the Parent Entity interest bearing financial instruments was:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets	19,064	11,514	458	170
Financial liabilities	(8,309)	(1,475)	(1,829)	(682)
	10,755	10,039	(1,371)	(512)

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular the CPI, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	100bps increase	100bps decrease	100bps increase	100bps decrease
Consolidated				
30 June 2008				
Interest rate swaps	1,785	(1,785)	1,785	(1,785)
CPI Hedges	26,267	(30,013)	26,267	(30,013)
	28,052	**(31,798)**	**28,052**	**(31,798)**
30 June 2007				
Interest rate swaps	1,655	(1,655)	1,655	(1,655)
CPI Hedges	–	–	–	–
	1,655	**(1,655)**	**1,655**	**(1,655)**
Parent				
30 June 2008				
Interest rate swaps	(1,952)	1,461	(1,952)	1,461
	(1,952)	**1,461**	**(1,952)**	**1,461**
30 June 2007				
Interest rate swaps	(1,434)	1,121	(1,434)	1,121
	(1,434)	**1,121**	**(1,434)**	**1,121**

The impact on the Profit and Loss and Equity arising from a 100 bps movement in interest rates is based on shifting the projected forward rates by 100 bps at the reporting date, in order to determine the present value of future principal and interest cash flows.

Note 41 Financial instruments (continued)

(d) Consumer price index risk

Potential variability in future distributions arise predominantly from Financial Assets and Liabilities through movements in the consumer price index (CPI). For example, ALE's investment properties are subject to annual rental increases based on movements in the CPI. This will in turn flow through to Investment Properties valuations. ALE's CPI Hedge liabilities are also impacted by movements in the CPI.

Profile

At the reporting date the Consumer Price Index profile of ALE's consumer price interest financial instruments was as follows:

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial instruments				
Investment properties	820,270	769,110	–	–
CPI Hedge – fair value of derivatives	112	–	–	–
CPI Hedge – capitalised interest	(5,593)	–	–	–
CIB	(132,492)	(129,107)	–	–
	682,297	**640,003**	**–**	**–**

Sensitivity analysis for variable rate instruments

A change of 100 bps in CPI at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and property capitalisation rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	100bps increase	100bps decrease	100bps increase	100bps decrease
Consolidated				
30 June 2008				
Investment properties	8,230	(8,400)	8,230	(8,400)
CPI Hedges	(27,116)	24,070	(27,116)	24,070
	(18,886)	**15,670**	**(18,886)**	**15,670**
30 June 2007				
Investment properties	7,980	(7,870)	7,980	(7,870)
CPI Hedges	–	–	–	–
	7,980	**(7,870)**	**7,980**	**(7,870)**

Investment properties have been included in the sensitivity analysis as, although they are not financial instruments, the long term CPI linked leases attaching to the investment properties are similar in nature to financial instruments.

There is no impact on the Profit and Loss or Equity arising from a 100 bps movement in CPI at the reporting date on the CIB or CPI Hedge – capitalised interest, as the terms of these instruments use CPI rates for the quarters ending the preceding March and December to determine their values at 30 June.

Note 41 Financial instruments (continued)

(e) Fair Values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	8,527	8,527	24,765	24,765
Receivables	1,906	1,906	398	398
Derivatives	10,755	10,755	10,039	10,039
Loans and deposits – investment properties	22,127	22,127	22,127	22,127
Other assets	563	563	1,180	1,180
Trade and other payables	(7,870)	(7,870)	(6,026)	(6,026)
CIB	(132,492)	(133,587)	(129,107)	(130,225)
CMBS	(244,345)	(245,000)	(224,381)	(225,000)
ALE Notes	(146,252)	(135,000)	(144,317)	(153,015)
NAB Facility	(35,911)	(36,000)	–	–
Current borrowings	(8,450)	(8,450)	–	–
	(531,442)	**(522,029)**	**(445,322)**	**(455,757)**

Parent Entity	30 June 2008		30 June 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	2,100	2,100	1,184	1,184
Receivables	19,883	19,883	18,167	18,167
Derivatives	(1,371)	(1,371)	(512)	(512)
Trade and other payables	(2,784)	(2,784)	(2,973)	(2,973)
ALE Notes	(146,252)	(135,000)	(144,317)	(153,015)
	(128,424)	**(117,173)**	**(128,451)**	**(137,149)**

Basis for determining fair values
The basis for determining fair values is disclosed in Note 4. The ALE Notes are a traded debt security on the Australian Securities Exchange. The fair value disclosed above reflects the market value of the ALE Notes at balance date.

In the Directors' opinion:

(a) the financial statements and Notes and the remuneration disclosures that are contained in Section 9 of the Directors' Report, set out on pages 15 to 54 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 2008 and of their performance for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

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

(d) The remuneration disclosures that are contained in the Remuneration Report set out in Section 9 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 19th day of August 2008

Independent auditor's report to the securityholders of ALE Property Group

Report on the financial report

We have audited the accompanying financial report of ALE Property Group, which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 41 and the directors' declaration set out on pages 15 to 55 of the Group comprising Australian Leisure and Entertainment Property Trust (the Trust) and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Australian Leisure and Entertainment Property Management Limited, the Responsible Entity for the Trust, 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 the 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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Trust's and the Group's financial position and of their performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Trust's and the Group's financial position as at 30 June 2008 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.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2008. The directors of Australian Leisure and Entertainment Property Management Limited are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of ALE Property Group for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

Steve Gatt
Partner

Sydney
19 August 2008

New Brighton Hotel, Manly, NSW
has operated as a pub since 1880. Located on the Corso pedestrian mall it is just metres from the world famous Manly Beach.

AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

ABN 45 105 275 278

CONTENTS

The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2008.

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

Level 7
1 O'Connell Street
Sydney NSW 2000

1. 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

2. 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.

3. Dividends

No provisions for or payments of Company dividends have been made during the year (2007: nil).

4. Review of operations

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

	30 June 2008 $	30 June 2007 $
Revenue		
Management fees	2,874,891	2,334,810
Interest income	35,070	66,570
Total revenue	**2,909,961**	**2,401,380**
Other income	–	–
Total income	**2,909,961**	**2,401,380**
Expenses		
Salaries, fees and related costs	1,610,102	1,319,870
Acquisition proposal due diligence	9,576	96,581
Other expenses	1,261,313	1,036,425
Total expenses	**2,880,990**	**2,452,876**
Profit/(loss) before income tax	**28,971**	**(51,496)**
Income tax expense/(benefit)	77,161	(7,025)
Profit/(loss) attributable to the shareholders of the Company	**(48,190)**	**(44,471)**
	Cents	Cents
Basic and diluted earnings per share	(0.56)	(0.49)
Dividend per share for the year	–	–
	Cents	Cents
Net assets per share	8.88	8.75

5. 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.

6. Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

7. 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.

8. 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 four other listed entities, being ASX Limited, Macquarie Group Limited, WHK Group Limited and TEYS 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 practised as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is the Statutory and Other Offices Remuneration Tribunal for NSW and 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 15 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.

8. Information on Directors (continued)

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

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 18 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 nine 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 fund 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, AusAID (the Australian Agency for International Development) 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 a 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	WHK Group Limited	Non-executive	May 2007	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	
P H Warne	TEYS Limited	Non-executive	October 2007	

(a) In July 2006, the Australian Stock Exchange and SFE Corporation Limited (SFE) merged, with the SFE becoming a wholly owned subsidiary of the Australian Securities Exchange (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).
	Chair of the Remuneration Committee.
J P Henderson	Member of the ACRMC.
	Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC.
	Member of the Remuneration Committee.
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company.
	Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).
J T McNally	Responsible Officer of the Company under the Company's AFSL.

8. Information on Directors (continued)

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 2008
P H Warne	Non-executive Director	700,000	40,000	740,000
J P Henderson	Non-executive Director	109,000	80,000	189,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	377,650	–	377,650
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	1,500	–	1,500

Name	Role	Number held at the start of the year	Conversion/sales /purchases	Number held at 30 June 2008
A F O Wilkinson	Executive Director	–	90,516	90,516
A J Slade	Investment and Acquisitions Manager	–	15,552	15,552

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 2008 and the number of meetings attended by each Director at the time the director held office during the year were:

Director	Board meetings		Audit, Compliance and Risk Management Committee meetings		Remuneration Committee meetings	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	9	9	8	8	2	2
J P Henderson	9	8	8	8	2	2
H I Wright	9	9	8	8	2	2
A F O Wilkinson	9	9	n/a	n/a	n/a	n/a
J T McNally	9	9	n/a	n/a	n/a	n/a
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	8	8	n/a	n/a

1 "Held" reflects the number of meetings which the Director or member was eligible to attend.

9. Remuneration report (audited)

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

9.1 Principles used to determine the nature and amount of remuneration
9.2 Details of remuneration
9.3 Service agreements
9.4 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.

9.1 Principles used to determine the nature and amount of remuneration

The objectives of the Company'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.

9.1 Remuneration report (continued)

Alignment to stapled security holders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in stapled security holder wealth, consisting of distributions, dividends and growth in 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 employees' 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 three years ended 30 June 2008 the total return on ALE's stapled securities (inclusive of distribution returns) was 21.8% (2007: n/a).

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 last reviewed in 2007, the first review since 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 or performance rights over stapled securities.

Directors' fees

The current base remuneration was last reviewed with effect from July 2007. 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 $475,000 per annum, comprised of $385,000 per annum for Non-executive Directors and $90,000 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 ended 30 June 2008, 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, risk and capital management, increasing security holder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

The Board is responsible for assessing whether the KPIs have been met. To facilitate this assessment, the Board receives detailed reports on performance from management.

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

The STI target annual payment is reviewed annually.

Long term incentives (LTI)

Performance Rights over unissued stapled securities were granted in June 2008 to Mr Wilkinson and Mr Slade. Mr Wilkinson has the right to receive up to 90,516 stapled securities at a nil cost exercisable from 1 June 2009 or earlier, if employment is a terminated after a change of control in the Company. Mr Slade has the right to receive up to 15,552 stapled securities at a nil cost exercisable progressively from 30 June 2008 or earlier, if employment is terminated after a change of control in the Company.

9.1 Remuneration report (continued)

The performance rights provide the opportunity to receive fully paid stapled securities for nil cost. The receipt of stapled securities is contingent on achieving specific performance hurdles over a specified performance period. The performance hurdles are as follows;

- a Total Shareholder Return (TSR) performance hurdle where ALE's TSR is ranked against a comparative group consisting of companies classified as Real Estate Investment Trusts in the S&P/ASX 300 Index;
- a Total Shareholder Return (TSR) performance hurdle based on ALE's absolute TSR; and
- a service period retention hurdle, whereby the employee must be employed by ALE at the vesting date for the performance rights to vest.

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
The following performance rights over unissued stapled securities were granted during the year;

Executive	Number of PRs issued	Grant date	Performance period start date	Fair value of PR at grant date ($)	Expiry date	Number of PRs vested during 2008
A F O Wilkinson	90,516	12 Dec 2007	6 Nov 2006	3.11	1 Jun 2009	–
A J Slade	15,552	30 Jun 2008	1 Jul 2007	2.57	30 Jun 2010	–

9.2 Details of remuneration

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 2007 to 30 June 2008
Details of the remuneration of the Key Management Personnel for the year ended 30 June 2008 are set out in the following table:

Key management personnel		Short term employee benefits			Post employment benefits	Equity based payment	
Name	Role	Salary and fees $	STI bonus $	Non-monetary $	Superannuation $	Performance rights[1] $	Total $
P H Warne	Non-executive Director	137,615		–	12,385	–	150,000
J P Henderson	Non-executive Director	85,000	–	–	–	–	85,000
H I Wright	Non-executive Director	77,982	–	–	7,018	–	85,000
A F O Wilkinson	Executive Director	297,741	120,000	–	13,092	181,076	611,909
J T McNally	Executive Director	90,000	–	–	–	–	90,000
B R Howell	Company Secretary	90,000	–	–	–	–	90,000
A J Slade	Investment and Acquisitions Manager	155,575	75,000	–	13,092	40,000	283,667
M J Clarke	Finance Manager	79,536	25,000	–	22,965	–	127,501
		1,013,449	220,000	–	68,552	221,076	1,523,077

1. The equity based payments expense for Mr Wilkinson's performance rights covers the period November 2006 to June 2008.

9.2 Details of remuneration (continued)

Table 2 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 and fees $	STI bonus $	Non-monetary $	Superannuation $	Options $	Total $
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	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	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 20 April 2007.

Cash bonuses

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

	Paid		Forfeited	
Name	2008 %	2007 %	2008 %	2007 %
A F O Wilkinson	160	100	–	–
A J Slade	150	100	–	–
M J Clarke	100	100	–	–

9.3 Service agreements

On 30 June 2008, the Company entered into a service agreement with the Managing Director, Mr Wilkinson, relating to the period starting November 2006 and ending on 1 June 2009. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $300,000 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 performance rights over stapled securities, vesting from May 2009 (or earlier if there is a termination after a change of control) are also provided.

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 performance right entitlements for the balance of the contract.

At the annual general meeting of the Company to be held on 12 November 2008, the terms of Mr Wilkinson’s new contract will be put to a shareholder vote.

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.

9.4 Equity based compensation

The performance rights value disclosed above as part of specified executive remuneration is the assessed fair value at grant date of performance rights granted, allocated equally over the period from grant date to vesting date. The fair value 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 performance right, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the performance right.

10. Stapled securities under option

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

11. Stapled securities issued on the exercise of options

No securities were issued on the exercise of options during the financial year.

12. Insurance of officers

During the financial year, the Company paid a premium of $24,615 (2007: $28,325) 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.

13. 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 three properties, ongoing monitoring is being undertaken and further work is required, however, the Company is indemnified by third parties against any remediation amounts likely to be required.

14. 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.

14. Non-audit services (continued)

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

	30 June 2008 $	30 June 2007 $
Audit services		
KPMG 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	125,241	–
• in relation to prior year	–	–
Total remuneration for audit services	**125,241**	**–**
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
• in relation to prior year	25,171	28,357
Total remuneration for audit services	**25,171**	**177,794**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	–	18,893
Total remuneration for other assurance services	**–**	**18,893**
Total remuneration for assurance services	**25,171**	**196,687**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	21,700	5,300
Tax consulting services	72,900	38,685
Total taxation services	**94,600**	**43,985**

15. 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 68.

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

Peter H Warne
Director

Sydney
Dated this 19th day of August 2008

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Australian Leisure and Entertainment Property Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Steve Gatt
Partner

Sydney
19 August 2008

INCOME STATEMENT /
FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 $	30 June 2007 $
Revenue			
Management fees	5	2,874,891	2,334,810
Interest income		35,070	66,570
Total revenue		**2,909,961**	**2,401,380**
Other income	6	–	–
Total income		**2,909,961**	**2,401,380**
Accounting services		1,900	33,877
Acquisition proposal due diligence	6	9,576	96,581
Annual report		52,753	65,582
Accounting, tax and professional fees		155,897	177,794
Corporate advisory services		119,616	105,366
Depreciation expense and asset write-offs		53,247	62,945
Insurance		71,697	79,488
Legal fees		358,798	78,928
Occupancy costs		113,787	75,782
Other expenses		139,354	196,078
Registry fees		95,073	73,512
Salaries, fees and related costs		1,610,102	1,319,870
Staff training		36,420	11,950
Taxation services		39,600	45,185
Travel and accommodation		23,170	29,938
Total expenses		**2,880,990**	**2,452,876**
Profit/(loss) before income tax		**28,971**	**(51,496)**
Income tax expense/(benefit)	8	77,161	(7,025)
Profit/(loss) after income tax		**(48,190)**	**(44,471)**
Profit/(loss) attributable to the shareholders of the Company		**(48,190)**	**(44,471)**
		Cents	Cents
Basic and diluted earnings/(loss) per share		(0.56)	(0.49)
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 2008

	Note	30 June 2008 $	30 June 2007 $
Current assets			
Cash and cash equivalents	9	102,319	102,860
Receivables	10	233,319	260,790
Prepayments and other assets		143,393	90,762
Current tax asset		1,182	–
Total current assets		**480,213**	**454,412**
Non-current assets			
Plant and equipment	11	111,235	50,635
Investment in related party	12	9,080,010	9,080,010
Deferred tax asset	13	398,444	476,155
Total non-current assets		**9,589,689**	**9,606,800**
Total assets		**10,069,902**	**10,061,212**
Current liabilities			
Payables	14	641,456	404,004
Provisions	15	37,094	31,583
Loan from related party	16	1,688,315	1,670,824
Total current liabilities		**2,366,865**	**2,106,411**
Non-current liabilities			
Deferred tax liability	18	182	732
Total non-current liabilities		**182**	**732**
Total liabilities		**2,367,047**	**2,107,143**
Net assets		**7,702,855**	**7,954,069**
Equity			
Contributed equity	19	8,670,927	9,095,028
Retained losses	20	(1,189,149)	(1,140,959)
Reserves	21	221,077	–
Total equity		**7,702,855**	**7,954,069**
		Cents	Cents
Net assets per share		**8.88**	**8.75**

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

STATEMENT OF CHANGES IN EQUITY /
FOR THE YEAR ENDED 30 JUNE 2008

	30 June 2008 $	30 June 2007 $
Total equity at the beginning of the year	**7,954,069**	**8,004,631**
Profit /(loss) for the year	(48,190)	(44,471)
Total recognised income and expenses for the year	**(48,190)**	**(44,471)**
Transactions with equity holders in their capacity as equity holders:		
Issue of shares	–	30,000
Shares cancelled under share buyback program	(424,101)	(38,982)
Employee share based payments expense	221,077	2,891
Total transactions with equity holders in their capacity as equity holders	**(203,024)**	**(6,091)**
Total equity at the end of the year	**7,702,855**	**7,954,069**

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 2008 $	30 June 2007 $
Cash flows from operating activities			
Other revenue (management fee and expense recovery)		6,012,641	8,234,121
Payments to suppliers and employees		(5,510,304)	(8,662,114)
Interest received – bank deposits and investment arrangements		35,070	67,946
Net cash inflow/(outflow) from operating activities	25	**537,407**	**(360,047)**
Cash flows from investing activities			
Payments for plant and equipment		(113,847)	(11,225)
Net cash (outflow) from investing activities		**(113,847)**	**(11,225)**
Cash flows from financing activities			
Shares bought back under share buyback program		(424,101)	(38,982)
Shares issued		–	30,000
Net cash (outflow) from financing activities		**(424,101)**	**(8,982)**
Net increase/(decrease) in cash and cash equivalents held		**(541)**	**(380,254)**
Cash and cash equivalents at the beginning of the year		102,860	483,114
Cash and cash equivalents at the end of the year	9	**102,319**	**102,860**

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

Note 1 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*.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Company also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment property is measured at fair value
- liabilities for cash settled share based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 2 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 years presented, unless otherwise stated.

(a) 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.

(b) 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.

(c) 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.

(d) Plant and equipment

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

Depreciation

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

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

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

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

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

(e) Trade and other payables

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

Note 2 Summary of significant accounting policies (continued)

(f) 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.

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

(h) 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.

(i) 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.

(j) Employee benefits

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

(ii) Share based payments
The grant date fair value of performance rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the performance rights. The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest, except for those that fail to vest due to performance hurdles not being met.

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

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

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

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

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

(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.

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

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

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

Note 2 Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) New accounting standards and UIG interpretation

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Company's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments (see Note 22). Under the management approach, there will be no change to the disclosure.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations changes the measurement of share based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

Note 3 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

(a) Receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Note 4 Financial risk management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Compliance and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through it's training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Compliance and Risk Management Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. The Company has few customers and therefore there is significant concentration of credit risk. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the customers have appropriate financial standing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has liquidity risk management policies, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for the purchase/sale of assets for a period of 90 days (or longer if deemed necessary), including the servicing of financial obligations.

Market risk

Market risk is the risk that changes in market prices, such as the consumer price index and interest rates will affect the Company's income or the value of its holdings of leases and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company enters into derivatives and financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit, Compliance and Risk Management Committee.

	30 June 2008 $	30 June 2007 $

Note 5 Management fees

Management fees	2,874,891	2,334,810

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

Expense reimbursement and management fee receipts (inclusive of GST) of $6,012,641 (2007: $8,234,121) disclosed in the statement of cash flows is comprised predominantly of expenses paid for by the Company on behalf of the Trust and other ALE Group entities and subsequently reimbursed from the entities. The legal obligations for these expenses are the responsibility of the individual ALE Group entities and are not expenses of the Company.

Note 6 Transaction costs and other income

Acquisition proposal due diligence	9,576	96,581
Amounts (recovered) following non-completion	–	
Net costs incurred	**9,576**	**96,581**

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.

Note 7 Auditor's remuneration

Audit services		
KPMG 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	125,241	–
Total remuneration for audit services	**125,241**	**–**
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
• in relation to prior year	25,171	28,357
Total remuneration for audit services	**25,171**	**177,794**
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	–	18,893
Total remuneration for other assurance services	**–**	**18,893**
Total remuneration for assurance services	**25,171**	**196,687**
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	21,700	5,300
Tax consulting services	72,900	38,685
Total taxation services	**94,600**	**43,985**

	Note	30 June 2008 $	30 June 2007 $
Note 8 Income tax expense/(benefit)			
Current tax expense/(benefit)		–	(1,918)
Deferred tax (benefit)		77,161	(5,107)
		77,161	**(7,025)**
Decrease/(Increase) in deferred tax asset		77,711	(4,002)
Increase/(decrease) in deferred tax liabilities		(550)	(1,105)
		77,161	**(5,107)**
Reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before the income tax expense		28,971	(51,496)
Tax at the Australian tax rate 30%		8,691	(15,449)
Tax effect of amounts which are deductible (taxable) in calculating taxable income:			
Share based payments		66,323	868
Entertainment		937	510
Under provision in prior years		1,210	7,046
		68,470	8,424
Income tax (benefit)		**77,161**	**(7,025)**
Note 9 Cash and cash equivalents			
Cash at bank	(a)	41,161	20,807
Deposits at call	(b)	61,158	82,053
		102,319	**102,860**

(a) As at 30 June 2008 the weighted average interest rate earned on cash was 7.50% (2007: 6.12%).

(b) The deposits represents office occupancy security deposits.

	30 June 2008 $	30 June 2007 $
Note 10 Receivables		
Accounts receivable	232,877	258,350
Interest receivable	442	2,440
	233,319	**260,790**

	30 June 2008 $	30 June 2007 $
Note 11 Plant and equipment		
Furniture, fittings and equipment		
At Cost	63,014	63,318
Accumulated depreciation	(40,150)	(33,800)
	22,864	29,518
Software		
At Cost	84,986	80,089
Accumulated depreciation	(64,533)	(60,282)
	20,453	19,807
Office fitout		
At Cost	94,906	84,616
Accumulated depreciation	(26,988)	(83,306)
	67,918	1,310
Total		
At Cost	242,906	228,023
Accumulated depreciation	(131,671)	(177,388)
Net book value	**111,235**	**50,635**
Movement in Plant and Equipment:		
Furniture, fittings and equipment		
Net book value at the beginning of the year	29,518	34,884
Additions	–	3,606
Disposals	(177)	–
Depreciation charge	(6,477)	(8,972)
Net book value at the end of the year	22,864	29,518
Software		
Net book value at the beginning of the year	19,807	36,567
Additions	18,941	7,621
Disposals	(1,666)	–
Depreciation charge	(16,629)	(24,381)
Net book value at the end of the year	20,453	19,807
Office fitout		
Net book value at the beginning of the year	1,310	30,903
Additions	94,906	–
Depreciation charge	(28,298)	(29,593)
Net book value at the end of the year	67,918	1,310
Total		
Net book value at the beginning of the year	50,635	102,354
Additions	113,847	11,227
Disposals	(1,843)	–
Depreciation charge	(51,404)	(62,946)
Net book value at the end of the year	**111,235**	**50,635**

	30 June 2008 $	30 June 2007 $
Note 12 Investment in related party		
Trust No Income Voting Units (NIVUS)	**9,080,010**	**9,080,010**

The Company was issued $9,080,010 of NIVUS in the Trust for cash consideration of $6,200,010 and non-cash consideration of $2,880,000 in November 2003. The NIVUS have only been issued to the Company and are held by the Company in order to satisfy the net tangible asset condition in its Australian Financial Services Licence. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of $1.00, carry no rights to income from the Trust and entitle the holder to no more than $1.00 per NIVUS upon the winding up of the Trust. The Company had an initial voting power of 9.09% in the Trust as a result of the issue of NIVUS. The Company now has a voting power of 10.58% in the Trust as a result of the share buyback undertaken by the Company.

Note 13 Deferred tax asset

	30 June 2008 $	30 June 2007 $
Deferred tax assets	**398,444**	**476,155**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	11,127	9,475
Acquisition proposal due diligence	186,210	285,984
Other accruals	120,687	103,604
Other provisions	3,000	3,090
Tax losses	77,420	74,002
Net deferred tax assets	**398,444**	**476,155**
Movements:		
Opening balance	476,155	472,153
Credited/(charged) to the income statement (Note 8)	(77,711)	4,002
Closing balance at	**398,444**	**476,155**
Deferred tax assets to be recovered within 12 months	230,141	285,499
Deferred tax assets to be recovered after more than 12 months	168,303	190,656
	398,444	**476,155**

	30 June 2008 $	30 June 2007 $
Note 14 Payables		
Trade creditors	285,719	77,167
Creditor accruals	355,737	326,837
	641,456	**404,004**
Note 15 Provisions		
Provision for annual leave	37,094	31,583
Provision for superannuation	–	–
	37,094	**31,583**
Note 16 Loan from related party		
Loan from the Trust	**1,688,315**	**1,670,824**

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

	30 June 2008 $	30 June 2007 $
Note 18 Deferred tax liability		
Deferred tax liability	**182**	**732**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Interest income earned but not received	182	732
Prepaid expense	–	–
Net deferred tax liability	**182**	**732**
Movements:		
Opening balance	732	1,837
Charged to income statement (Note 8)	(550)	(1,105)
Closing balance	**182**	**732**
Deferred tax liabilities to be recovered within 12 months	182	732
Deferred tax liabilities to be recovered after more than 12 months	–	–
	182	**732**

	30 June 2008 $	30 June 2007 $
Note 19 Contributed equity		
(a) Share capital		
Issued share capital 85,813,747 (2007: 90,660,614) fully paid	**8,670,927**	**9,095,028**
(b) Movements in ordinary share capital		
Opening balance	9,095,028	9,080,010
Exercise of options	–	54,000
On-market share buyback	(424,101)	(38,982)
Balance at the end of the period	**8,670,927**	**9,095,028**
Movements in the number of fully paid shares	No. of shares	No. of shares
Shares on issue		
Opening balance	90,660,614	90,800,100
Exercise of options	–	300,000
On-market share buyback	(4,846,867)	(439,486)
Closing balance	**85,813,747**	**90,660,614**

(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. The share buyback concluded on 2 May 2008 with 5,286,353 shares being bought back for a total cost of $463,083.

	30 June 2008 $	30 June 2007 $
Note 20 Retained losses		
Balance at the beginning of the year	(1,140,959)	(1,096,488)
Net profit/(loss) attributable to ordinary shareholders	(48,190)	(44,471)
Balance at the end of the year	**(1,189,149)**	**(1,140,959)**
Note 21 Reserves		
Share based payments reserve	**221,077**	**–**
Balance at the beginning of the year	–	21,109
Employee share based payments expense	221,077	2,891
Transfer to share capital on exercise of options	–	(24,000)
Balance at the end of the year	**221,077**	**–**

Note 22 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 23 Events occurring after reporting date

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

Note 24 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.

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

	30 June 2008 $	30 June 2007 $
Note 25 Reconciliation of profit after income tax to net cash inflows from operating activities		
(Loss) for the year	(48,190)	(44,471)
Depreciation	53,247	62,946
Non-cash employee benefits expense – share based payments	221,077	2,891
(Increase)/decrease in receivables	27,471	590,237
(Increase)/decrease in other assets	(52,631)	(52,483)
(Increase)/decrease in deferred tax asset	77,711	(4,002)
Increase/(decrease) in loan from related party	17,491	971,680
Increase/(decrease) in provisions	5,511	(29,591)
Increase/(decrease) in payables	237,453	(1,854,231)
Increase/(decrease) in current tax liability	(1,182)	(1,918)
Increase/(decrease) in deferred tax liability	(551)	(1,105)
Net cash inflows from operating activities	**537,407**	**(360,047)**

Note 26 Share based payments

During 2007 ALE established a Performance Rights Plan that entitles key management personnel to, subject to performance, become entitled to acquire stapled securities. On 12 December 2007 and 30 June 2008 grants of performance rights (PR) were made to Mr Wilkinson and Mr Slade respectively. In accordance with the plan the performance rights vest upon performance hurdles being achieved. The securities issued under the plan are issued at nil cost to the employee.

The terms and conditions of the grants are as follows;

Employee entitled	Grant date	Number of PRs	Vesting conditions	Contractual life of PRs
A F O Wilkinson	12 Dec 2007	90,516	1. Service period 2. Total Shareholder Return (TSR) compared to comparative group 3. Absolute TSR	1 Jun 2009
A J Slade	30 Jun 2008	15,552	1. Service period 2. Total Shareholder Return (TSR) compared to comparative group 3. Absolute TSR	30 Jun 2010

The vesting conditions for Mr Wilkinson's performance rights are tested on 31 May 2009.

The vesting conditions for Mr Slade's performance rights are tested annually on 30 June each year. One third of the number of performance rights issued are tested at each 30 June over a three year period.

The number and weighted average fair values of the performance rights on issue are as follows:

	Weighted average fair value 2008	Number of performance rights 2008	Weighted average fair value 2007	Number of performance rights 2007
Outstanding at 1 July	–	–	–	–
Granted during period	106,068	3.03	–	–
Outstanding at 30 June	**106,068**	**3.03**	**–**	**–**

The performance rights outstanding at 30 June 2008 will be issued at nil cost to the employee if and when they vest.

The performance rights value is the assessed fair value at grant date of the performance rights, allocated equally over the period from grant date to vesting date. The fair value 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 performance rights, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the performance rights, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the performance rights.

Note 27 Commitments

(a) Capital commitments

The Directors are not aware of any capital commitments as at the date of this report.

(b) Lease commitments

The Company has entered into a non-cancellable operating lease for its office premises at Level 7, 1 O'Connell Street, Sydney. The minimum net lease commitments under theses leases are:

	30 June 2008 $	30 June 2007 $
Within one year	111,384	109,635
Later than one year but not later than five years	166,036	273,970
Later than five years	–	–
	277,420	**383,605**

Note 28 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 29.

(c) Transactions with related parties

For the year ended 30 June 2008 the Company had charged the Trust $2,874,89 in management fees (2007: $2,334,810) and the Finance Company had charged the Sub Trust $23,048,827 in interest (2007: $21,614,426).

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 2,706,162 stapled securities in the ALE Property Group. With the exception of his own holding, Peter Warne is not involved in any of the decision making processes regarding those securities held by Next Financial in the ALE Property Group. Procedures have been put into place to ensure Peter Warne's independence and confidentiality of information are maintained.

Peter Warne is a director of Macquarie Group 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 29 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 2004
J T McNally	Executive	26 June 2003

(b) Other key management personnel

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

Name	Title
A J Slade	Investment and Acquisitions Manager
B R Howell	Company Secretary and Compliance Officer
M J Clarke	Finance Manager

(c) Compensation for key management personnel

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

	30 June 2008 $	30 June 2007 $
Short term employee benefits	1,233,449	1,067,198
Post employment benefits	68,552	54,015
Share based payments	221,076	2,891
	1,523,077	**1,124,104**

The Company has taken advantage of the relief provided by the Corporations Regulations CR2M.6.04 and has transferred the detailed remuneration disclosures to Section 9 of the Directors' Report.

	30 June 2008 Cents	30 June 2007 Cents
Note 30 Earnings per share		
(a) Basic earnings per share		
Attributable to equity holders of the Company		
Basic and diluted earnings per equity holders of the Company	(0.56)	(0.49)
Attributable to security holders of the stapled entity		
Basic and diluted earnings per stapled security before financing costs attributable to the Company security holders divided by the average number of securities	(0.56)	(0.49)
Basic and diluted earnings per stapled security using realised operating income.	(0.56)	(0.49)
(b) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of shares used as the denominator in calculating earnings per share	86,631,833	90,928,711
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	86,631,833	90,928,711

Note 31 Financial instruments

(a) Credit risk
ALE's 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 is monitored on a continuous basis to determine that the tenant has appropriate financial standing.

Credit risk on cash is managed through ensuring all cash deposits are held with major domestic banks.

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 having regard to the security arrangements that are in place.

	2008 $	2007 $
Exposure to credit risk		
Receivables	233,319	260,790
Cash and cash equivalents	102,319	102,860
	335,638	**363,650**

	2008 Gross $	2008 Impairment $	2007 Gross $	2007 Impairment $
Impairment losses				
The aging of trade receivables at balance date was:				
Not past due	43,307	–	1,307	–
Past due 0-30 days	–	–	82,589	–
Past due 31-120 days	190,012	–	176,894	–
More than one year	–	–	–	–
	233,319	**–**	**260,790**	**–**

(b) Liquidity risk
The Company has no contracted financial liabilities and therefore the Company's liquidity risk to external parties is minimal.

(c) Interest rate risk
The Company has no financial interest bearing obligations and accordingly the Company's interest rate risk is minimal.

In the Directors' opinion:

(a) the financial statements, Notes and the remuneration disclosures that are contained in Section 9 of the Directors' Report as set out on pages 69 to 86 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 2008 and of its performance as for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

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

(d) The remuneration disclosures that are contained in the Remuneration Report set out in Section 9 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 19th day of August 2008

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Australian Leisure and Entertainment Property Management Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on page 69 to 87.

Directors' responsibility for the financial 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 the 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(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

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

   (i) giving a true and fair view of the Company's financial position as at 30 June 2008 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.

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 62 to 66 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Steve Gatt
Partner

Sydney
19 August 2008

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19 August, 2008

The Directors
Australian Leisure and Entertainment Property
Management Limited
Level 7
1 O'Connell Street
Sydney NSW 2000

Subject: **Management Statement Letter to Directors on ALE Property Group's Financial Reports for the year ended 30 June 2008.**

Dear Directors,

We confirm to the best of our knowledge and belief that the Financial Reports for the year ended 30 June 2008 of:

- ALE Property Group, being Australian Leisure and Entertainment Property Trust and its controlled entities;
- Australian Leisure and Entertainment Property Management Limited;
- ALE Direct Property Trust; 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 15 August 2008.

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	192	-
1,001 - 5,000	967	-
5,001 - 10,000	666	-
10,001 - 100,000	1,046	-
100,001 and over	11	1
Total	**2,882**	**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 17 holders of less than a marketable parcel of stapled securities.

B. Top 20 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	Woolworths Limited	17,076,936	19.90%
2	HSBC Custody Nominees Australia Limited	7,677,163	8.95%
3	Bell Potter Nominees Limited	3,227,498	3.76%
4	Mr Jeremy Nicholas Ferris, Mrs Dorothy May Ferris and Mr Kenneth Charles Ferris	2,016,652	2.35%
5	Lady Jean Falconer Griffin	1,859,120	2.17%
6	Merrill Lynch (Australia) Nominees Pty Limited	1,634,406	1.90%
7	Mr Nicholas Dyer	1,607,205	1.87%
8	UBS Wealth Management Australia Nominees Pty Limited	1,581,406	1.84%
9	JP Morgan Nominees Australia Limited	1,111,070	1.29%
10	Fortis Clearing Nominees Pty Limited	1,070,363	1.25%
11	HSBC Custody Nominees Australia Limited	1,037,995	1.21%
12	RBC Dexia Investor Services Australia Nominees Pty Limited	691,914	0.81%
13	Argo Investments Limited	610,000	0.71%
14	Oakleigh Nominees Pty Limited	526,140	0.61%
15	ANZ Nominees Limited	500,851	0.58%
16	BT Portfolio Services Limited	500,000	0.58%
17	Irrewarra Investments Pty Limited	500,000	0.58%
18	Fordholm Investments Pty Limited	415,000	0.48%
19	Merlor Holdings Pty Limited	347,000	0.40%
20	Charanda Nominee Company Pty Limited	271,721	0.32%
		44,262,440	**51.56%**

C. Substantial holders

Substantial holders of ALE (as per notices received as at 15 August 2008) are set out below:

Stapled security holder	Number held	Percentage of voting rights
Woolworths Limited	17,076,936	19.90%
Orbis MIS – Orbis/SM Australian Equity Fund	8,965,773	10.45%

D. Voting rights

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

(i) 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.

(ii) NIVUS
Each NIVUS entitles the Company to one vote at a meeting of the Trust. 9,080,000 NIVUS have been issued by the Trust to the Company and 91,100,100 units have been issued by the Trust to stapled securities holders. 5,286,353 units have been cancelled via the on-market stapled security buyback program by the Company.

The NIVUS therefore represent 10.58% of the voting rights of the Trust.

Securities Exchange Listing
The ALE Property Group (ALE) is listed on the Australian Securities 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 established a distribution reinvestment plan. Details are available on ALE's website.

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 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 Review and Annual Report are the main sources of information for stapled security holders. In August each year the Annual Review, Annual Report and Full Year Financial Report, and in February each year, the Half-Year Financial Report are released to the ASX and posted on the ALE website. The Annual Review is mailed to stapled security holders unless we are requested not to do so. The Annual Report is only mailed on request. Periodically ALE may also send releases to the ASX covering matters of relevance to investors. These releases are also posted on the ALE website and may be distributed by email to holders if they register on ALE's website. **The election by holders to receive communications electronically is encouraged by ALE.**

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 taxable, tax concessional and deferred tax components of the year's distribution.

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

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

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Company Secretary
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Trust Company of Australia Limited
Level 4, 35 Clarence Street
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Trustee (of ALE Direct Property Trust)
Trust Company Fiduciary Services Limited
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Designed and Produced by
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