· ANNUAL REPORT ·
2011

ALE PROPERTY GROUP

FRONT COVER: Main heritage image of Young & Jackson Hotel, Melbourne c1967 © Newspix /Herald Sun.
Small oval framed image of Young & Jackson Hotel, Melbourne c1864–1875 © State Library of Victoria.
BACK COVER: Main heritage image of Exeter Hotel, Adelaide: by Australian Tourist Publication Limited c1950.
Small framed image of Breakfast Creek Hotel, Brisbane c1983.

ALE PROPERTY GROUP (ALE)
Comprising Australian Leisure and Entertainment
Property Trust and its controlled entities
Report for the Year Ended 30 June 2011

ABN 92 648 441 429

CONTENTS

ANNUAL REPORT 2011

ALE PROPERTY GROUP (ASX:LEP)

ALE Property Group (ASX:LEP) is Australia's largest listed freehold owner of pubs. Established in November 2003, ALE owns a property portfolio of 87 pubs across the five mainland states of Australia. All of the pubs in the portfolio are leased to members of Australian Leisure and Hospitality Group Limited (ALH) for a remaining initial term averaging 17 years.

WWW.ALEGROUP.COM.AU

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

DIRECTORS' REPORT

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 10
6 O'Connell Street
Sydney NSW 2000

The directors of the Company present their report, together with the financial statements of ALE, for the year ended 30 June 2011.

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 (Managing Director)	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, the following significant changes in the state of affairs of ALE occurred during the year:

- a new CMBS issue of $160 million;
- debt with a book value of $179.83 million was repaid; and
- property values increased 6.2% to $758.28 million.

Net Tangible Assets rose by 8.9% to $351.39 million and net borrowings as a percentage of total assets remained stable at 50.9%.

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 securityholders.

In accordance with the leases of its investment properties, ALE expects to 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 early 2008, ALH commenced proceedings in the Supreme Court of Victoria in relation to the lease over the Vale Hotel in Mulgrave, Victoria. On 16 December 2009, Justice Judd delivered judgment in the proceedings which endorsed ALE's interpretation of the relevant provisions of the lease. On 23 April 2010, Justice Judd made orders reflecting the findings set out in the judgment of 16 December 2009, including an order that ALH pay ALE's costs. ALH is now appealing the 23 April 2010 judgment and orders to the Victorian Court of Appeal. The appeal is being heard on 1 and 2 August 2011. A final judgement is expected to be a number of months away.

5 DISTRIBUTIONS AND DIVIDENDS

Trust distributions paid out and payable to stapled securityholders, based on the number of stapled securities on issue at the respective record dates, for the year were as follows:

	30 June 2011 cents per security	30 June 2010 cents per security	**30 June 2011 $'000**	30 June 2010 $'000
Final Trust income distribution for the year ending 30 June 2011 to be paid on 31 August 2011	9.75	12.00	15,404	18,183
Interim Trust income distribution for the year ending 30 June 2011 paid on 28 February 2011	10.00	12.00	15,550	18,403
Total distribution for the year ending 30 June 2011	**19.75**	24.00	**30,954**	36,586

No provisions for or payments of Company dividends have been made during the year (2010: nil).

6 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the opinion of the Directors of the Company, no transaction or event of a material and unusual nature has occurred between the end of the financial year and the date of this report that may significantly affect the operations of ALE, the results of those operations or the state of the affairs of ALE in future financial years.

7 REVIEW AND RESULTS OF OPERATIONS

ALE produced a profit after tax of $50.9 million for the year ended 30 June 2011 (30 June 2010: Loss of $15.5 million). ALE produced a distributable profit (before fair value adjustments and other non cash items) of $31.3 million for the year ended 30 June 2011 (30 June 2010: $38.1 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 securityholders in understanding the results of operations and distributions of ALE.

	30 June 2011 $'000	30 June 2010 $'000
Profit/(loss) after income tax for the year	**50,870**	(15,524)
Adjustment for non-cash items		
Fair value increments/(decrements) to derivatives and investment properties	(36,547)	38,045
Loss/(Gain) on disposal of investment properties	–	1,271
Employee share based payments	80	130
Finance costs – non-cash	17,315	13,999
Income tax expense/(benefit)	(489)	149
Adjustments for non-cash items	**(19,641)**	53,594
Total profit available for distribution	**31,229**	38,070
Distribution paid or provided for	30,954	36,586
Available and under distributed for the year	**275**	1,484

	Percentage Increase/ (Decrease)	**30 June 2011 Cents**	30 June 2010 Cents
Earnings and distribution per stapled security:			
Basic and diluted earnings	396.98%	32.49	–10.94
Earnings available for distribution	–25.67%	19.95	26.84
Total distribution	–17.71%	19.75	24.00

Summary of financial highlights for the year:

Total distribution per stapled security decreased by 17.71% from 24.0 cents to 19.75 cents compared to the June 2010 year.

Investment property acquisitions, disposals and revaluations increased portfolio value by 6.22% from $713.85 million to $758.28 million compared to June 2010.

Net assets per stapled security increased by 8.93% from $2.10 to $2.22 compared to June 2010.

·DIRECTORS' REPORT·

For the year ended 30 June 2011

8 INFORMATION ON DIRECTORS

Mr Peter Warne B.A, MAICD, Chairman and Non-executive Director.

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

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

Peter is also a board member of three other listed entities, being ASX Limited, Macquarie Group Limited, and WHK Group Limited.

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

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

Experience and expertise
John was appointed as a Non-executive Director of the Company in August 2003. John has been a director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities.

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

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

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

Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practised as a commercial lawyer specialising in real estate projects, including development and financing and related taxation and stamp duties.

Helen is the Chair of Screen NSW (formerly Film & Television Office), the Local Government Remuneration Tribunal for NSW and recently was reappointed as The Statutory and Other Offices Remuneration Tribunal of NSW. Prior appointments include the Boards of Sydney Harbour Foreshore Authority and subsidiaries, 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 B.Bus. CFTP, MAICD, 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 30 years experience in banking, corporate finance and funds management.

He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

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

Experience and expertise
James was appointed as an Executive Director of the Company in June 2003.

James has over 16 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' 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.

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

Experience and expertise
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 19 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 ten years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

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

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

Experience and expertise

David was appointed to ALE's ACRMC on 9 December 2005 and has over 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, 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	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	June 2009

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 Nominations Committee Chair of the Remuneration Committee
H I Wright	Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
J P Henderson	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)
J T McNally	Responsible Manager of the Company under the Company's AFSL

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

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	Net Movement	Number held at 30 June 2011
P H Warne	Non-executive Director	1,185,000	–	1,185,000
J P Henderson	Non-executive Director	355,365	1,000	356,365
H I Wright	Non-executive Director	150,000		150,000
A F O Wilkinson	Executive Director	208,468	–	208,468
A J Slade	Capital Manager	31,064	(3,164)	27,900
M J Clarke	Finance Manager	4,564	3,177	7,741
D J Shipway	Asset Manager	–	5,000	5,000

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

Name	Role	Number held at the start of the year	Net Movement	Number held at 30 June 2011
A F O Wilkinson	Executive Director	160,026	–	160,026
A J Slade	Capital Manager	77,309	(16,065)	61,244

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee held during the year ended 30 June 2011 and the number of meetings attended by each director at the time the director held office during the year were:

	Board		ACRMC		Remuneration Committee	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	17	16	8	8	6	6
J P Henderson	17	16	8	7	6	6
H I Wright	17	17	8	8	6	6
A F O Wilkinson	17	17	n/a	n/a	n/a	n/a
J T McNally	17	17	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)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2011 for employees of ALE including the directors, the Managing Director and key management personnel.

The format and content of the Remuneration Report has changed compared with previous years. This reflects changes to the remuneration policies over the year, changes to reporting requirements and the desire to increase the transparency of the remuneration decisions made by ALE.

9.1 REMUNERATION OBJECTIVES AND APPROACH

In determining a remuneration framework the Board aims to ensure the following:

- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- links remuneration to performance.

The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled securityholders. To do this the Board ensures that executive reward satisfies the following objectives:

- alignment with ALE's financial, operational, compliance and risk management objectives so as to achieve alignment with positive outcomes for stapled securityholders;
- alignment with ALE's overall performance;
- transparent, reasonable and acceptable to employees and securityholders;
- rewards the responsibility, capability, experience and contribution made by executives; and
- market competitive and complementary to the reward strategy of the organisation.

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

9.2 REMUNERATION COMMITTEE

The Remuneration Committee ("the Committee") is a committee comprising non-executive directors of the Company. The Committee strives to ensure that ALE's remuneration structure strikes an appropriate balance between the interests of ALE securityholders and rewarding, motivating and retaining employees.

The Committee's charter sets out its role and responsibilities. The charter is reviewed on an annual basis. In fulfilling its role the Committee endeavours to ensure the remuneration framework established will:

- reward executive performance against agreed strategic objectives;
- encourage alignment of the interests of executives and stapled securityholders; and
- ensure there is an appropriate mix between fixed and "at risk" remuneration.

The Committee operates independently of ALE senior management in its recommendations to the Board and engages remuneration consultants independently of ALE management. During FY11, the Committee consisted of the following:

Peter Warne (Chairman)	Non-executive Director
Helen Wright	Non-executive Director
John Henderson	Non-executive Director

Refer page 4 of this report for information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 6.

The Remuneration Committee considers advice from a wide range of external advisors in performing its role. During the current financial year ALE engaged Guerdon Associates Pty Limited to review the fixed remuneration structure and Ernst & Young to review the Long Term Incentive Plan of ALE.

9.3 EXECUTIVE REMUNERATION

Executive remuneration comprises both a fixed component and an 'at risk' component. It specifically comprises:

- Fixed annual remuneration (FAR)
- Short term incentives (STI)
- Long term incentives (LTI)

DIRECTORS' REPORT

For the year ended 30 June 2011

9.3.1 Fixed Annual Remuneration (FAR)

What is FAR?	FAR is the guaranteed salary of the executive and includes superannuation and salary sacrificed components such as motor vehicles, laptops and superannuation.
How is FAR set?	FAR is set by reference to external market data for comparable roles and responsibilities within similar listed entities within Australia.
When is FAR Reviewed?	FAR is reviewed in December each year with any changes being effective from 1 January of the following year.

9.3.2 Short Term Incentive (STI)

What is STI?	STI is an annual "at risk" component of an executive remuneration. STI is used to reward executives for achieving annual business targets and their own individual key performance indicators (KPIs). The maximum STI opportunity for executives varies according to the role and responsibility of the executive.
How are STI targets and objectives chosen?	At the beginning of each year the Board sets a number of strategic objectives for ALE for that year. These objectives are dependent on the strategic issues facing ALE for that year and may include objectives that relate to longer term performance of ALE. Additionally individual specific KPIs are established for all executives with reference to their individual responsibilities that are linked to improving business processes, ensuring compliance with legislative requirements, ensuring compliance with risk management policies and protecting securityholder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.
How is STI performance accessed?	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 specific KPIs. This is at the discretion of the Board who have regard to the achievements of the objectives outlined above.
How are STI awards delivered?	STI payments are made in cash in August each year following the release of ALE's annual results.

9.3.3 Long Term Incentive (LTI)

What is LTI?	The LTI currently provides for the granting of Performance Rights over stapled securities in ALE. If performance conditions are met, then the Performance Rights vest and stapled securities are issued to the executive, subject to any delayed delivery conditions. If performance conditions are not met by the final testing date the Performance Rights lapse.
What are the LTI performance conditions?	The performance conditions for LTIs are as follows: A service period retention hurdle, whereby the employee must be employed by ALE at the vesting date for the Performance Rights to vest. A Total Securityholder Return (TSR) performance hurdle based on ALE's absolute TSR. A 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.

What are the periods for the performance conditions?

The performance periods for grants are determined on an individual basis. Presently LTI have been granted to Andrew Wilkinson and Andrew Slade.

Andrew Wilkinson
The performance period for grants to Mr Wilkinson are over the period of his service agreement covered by the grant. This is generally two to three years. As the grant covers the period of the service agreement contract there is no retesting performed on any failed vesting tests.

Andrew Slade
The performance period for grants to Mr Slade are split over the three years covered by each grant. One third of the performance rights granted are tested on 30 June of each of the three years following the grant date.

For grants prior to 30 June 2009 no retesting is performed on failed vesting tests. For grants made on and after 30 June 2009, any failed TSR performance hurdle is retested at the next anniversary until the performance period concludes.

What is the vesting scale for the Relative TSR performance hurdles?

Up to one third of total LTIs awarded are subject to a Relative TSR ranking over the performance period established in the grant.

ALE TSR Rank	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th percentile and 75th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

What is the vesting scale for the Absolute TSR performance hurdles?

Up to one third of total LTIs awarded are subject to an Absolute TSR ranking over the performance period established in the grant.

ALE TSR Rank	Vesting Scale
Below 12% TSR performance	Nil vesting
Between 12% and 17% TSR performance	Linear scale: 50% to 99% vesting
At or above 17% TSR performance	100% vesting

When are LTI delivered?

Andrew Wilkinson
Any stapled securities issued under LTI granted in 2009 will be delivered to Andrew Wilkinson two years after the vesting date provided that, in the reasonable opinion of the Board, he has not engaged in any conduct that:
(i) results in ALE having to make any material financial restatement;
(ii) causes ALE to incur a material financial loss; or
(iii) causes any significant harm to ALE and/or its businesses.

Andrew Slade
For grants prior to 30 June 2009 LTIs are delivered on an annual basis once testing has been performed and vesting established. For grants subsequent to 30 June 2009 any securities are delivered to Mr Slade two years after the vesting date subject to the same conditions as Andrew Wilkinson's listed above.

What changes have been made to LTI for 2012 and subsequent period grants?

Given the time and material costs of maintaining the current LTI plan the Remuneration Committee has engaged Ernst & Young to review the arrangements with a view to simplifying the administration of the plan while maintaining proper alignment to securityholders long term interests. Any changes arising from this review will be announced when completed.

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

9.3.4 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Brendan Howell
Position	Managing Director	Capital Manager	Finance Manager and Assistant Company Secretary	Asset Manager	Executive Director	Company Secretary and Compliance Officer
Contract Length	3 years	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$365,000	$200,000	$175,000	$163,500	$100,000	$90,000
Notice by ALE	Per contract	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

Managing Director
Andrew Wilkinson's current employment contract concluded on 1 June 2011.

The Company has agreed terms of a service agreement with Managing Director, Andrew Wilkinson, relating to the period starting 1 July 2011 and ending on 1 July 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $365,000 for Andrew Wilkinson, to be reviewed annually each 31 December by the Board. A STI (which if earned, would be paid as a cash bonus in August each year) and a LTI in a form consistent with ALE's LTI arrangements.

Following the finalisation of Andrew Wilkinson's service agreement and the Remuneration Committee's consideration of a restructure of ALE's LTI arrangements, a grant of LTI will be made to him, subject to approval at ALE's 2011 AGM.

In the event of the termination of Andrew Wilkinson's service agreement 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 long term incentive entitlements for the balance of the contract.

9.4 EXECUTIVE REMUNERATION OUTCOME FOR YEAR ENDED 30 JUNE 2011

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 15.

STI Outcomes
ALE has performed relatively well compared to other Australian real estate investment trusts (AREITs) since the commencement of the global financial crisis (GFC). For FY11 ALE achieved a distributable profit of 19.95 cents per security, which compared favourably to the Board's guidance of at least 18.50 cents per security.

Management contribution to this performance was by way of:
- completion of the final stage of the $500 million capital management plan launched in 2009;
- completion of a new five year CMBS financing of $160 million at market competitive pricing – the first such issue in the Australian market since the GFC;
- preservation of the long term and cost effective capital indexed bonds as part of the CMBS refinancing;
- achievement of a Aaa rating on 90% of the new CMBS issue;
- execution of a range of discounted debt buybacks and repayments on a basis that maximised earnings outcomes; and
- delivery of a range of other strategic property, funding and hedging related initiatives.

The remuneration committee considered these achievements and compared them to key performance indicators for each executive that were set at the beginning of the year. The STI result for the Managing Director and Capital Manager particularly reflect the positive contributions they made to the various capital management and refinancing activities, as outlined above. Other executives contributed to a range of the important and valuable outcomes outlined above that were recognised in the STI payments made. All the STI payments are included in staff remuneration expenses in the current year.

The STI awarded to each member of the management team is detailed in table 9.8.

LTI Outcomes
The LTI awards under the ALE Executive Performance Rights Plan were tested as at 30 June 2011. As detailed in section 9.3.3, the performance hurdles were based on a combination of Retention, Absolute TSR and Relative TSR.

Andrew Slade was entitled to a grant of LTI for a value equivalent to $50,000 on 1 July 2010. At 30 June 2011 no grant has been made. A grant will be made following the completion of the remuneration committee's review of ALE's LTI arrangements.

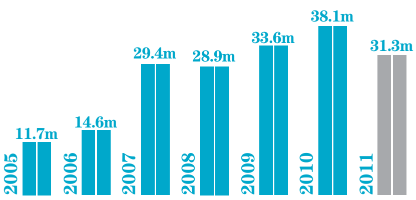
As outlined in section 9.5.3, the performance hurdles were partly achieved and applicable awards vested under the plan and remain subject to the delayed delivery restrictions that are set out in section 9.3.3.

ALE Financial Performance History

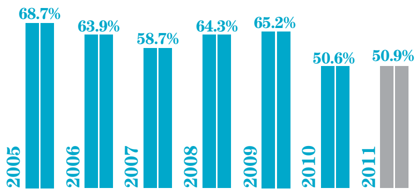
To provide context to ALE's performance, the following data and graphs outline a seven year history on key financial metrics.

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Distributable profit ($m)	11.7	14.6	29.4	28.9	33.6	38.1	31.3
Distribution per Security (cents)	12.85	16.00	32.50	33.60	30.00	24.00	19.75
Property values ($m) (Continuing properties)	613.5	655.6	723.8	722.7	718.5	713.9	758.3
Net gearing	68.7%	63.9%	58.7%	64.3%	65.2%	50.6%	50.9%

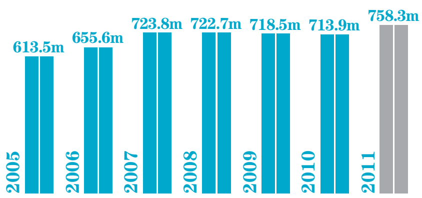
DISTRIBUTABLE PROFIT ($M)



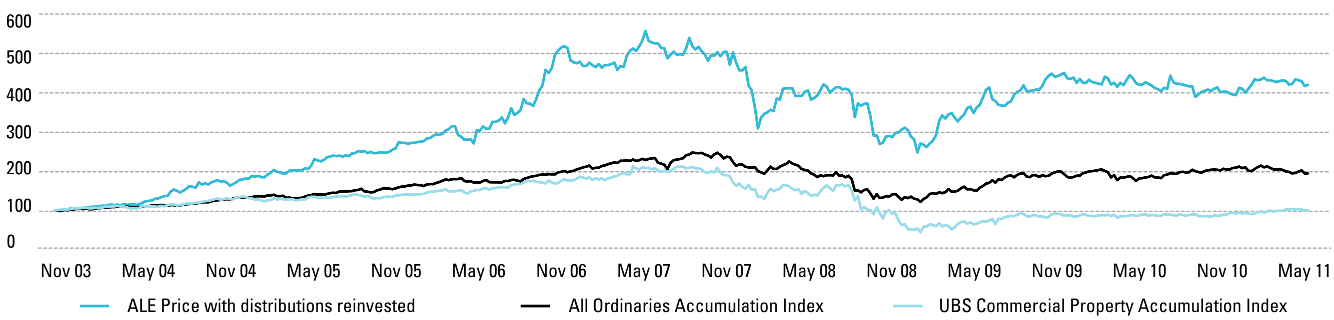
GEARING



CONTINUING PROPERTY VALUES ($M)



RELATIVE VALUE PERFORMANCE



Sources: ASX, IRESS, ALE

DIRECTORS' REPORT

For the year ended 30 June 2011

9.5 DISCLOSURES RELATING TO EQUITY INSTRUMENTS GRANTED AS COMPENSATION

9.5.1 Outstanding performance rights over equity instruments granted as compensation

Details of performance rights over stapled securities that have been granted as compensation and remain outstanding at year end and details of performance rights that vested during the financial period are as follows:

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 2011[2,3]	Number of Stapled Securities Issued[1]
A F O Wilkinson	160,026	1 June 2009	1 June 2009	1.00	1 June 2011	45,200	–
A J Slade	15,552	30 June 2008	1 July 2007	2.57	30 June 2010	4,542	4,542
A J Slade	30,206	1 July 2008	1 July 2008	1.67	30 June 2011	16,222	7,706
A J Slade	46,164	1 July 2009	1 July 2009	1.08	30 June 2012	12,319	–

1. Stapled Securities were issued at nil cost to the employee.
2. Stapled securities of 12,319 due to Mr Slade and 45,200 due to Mr Wilkinson in relation to the 2009 year grants have a delayed delivery of two years.
3. Stapled securities of 8,516 due to Mr Slade in respect of the 1 July 2008 grant will be issued during the 2012 financial year.

9.5.2 Modification of terms of equity settled share based payment transactions

No terms of equity settled share based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

9.5.3 Analysis of performance rights over equity instruments granted as compensation

Details of the vesting profiles of performance rights granted as remuneration are detailed below.

Executive	Number[1]	Date	% vested in year[3]	% forfeited in year[2]	Financial year in which grant vests	Hurdle testing
A F O Wilkinson	160,026	1 June 2009	28.2%	68.8%	1 June 2011	(b)
A J Slade	6,813	30 June 2008	66.7%	33.3%	1 July 2010	(a)
	11,558	1 July 2008	66.7%	33.3%	1 July 2010	(a)
	12,774	1 July 2008	66.7%	33.3%	1 July 2011	(b)
	12,898	1 July 2009	68.2%	–%	1 July 2010	(a)
	14,115	1 July 2009	23.4%	–%	1 July 2011	(b)
	21,457	1 July 2009	–%	–%	1 July 2012	

1. In accordance with the Rules of the Plan the number issued has been adjusted during the year for the rights issue that occurred in August 2009.
2. The % forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved and rights not being subject to any subsequent retesting.
3. The performance rights vesting in relation to 2009 year grants have a delayed delivery of two years.

(a) These performance rights were tested in the prior year, and as a result in the current year 12,248 performance rights that had vested were issued to Andrew Slade. Additionally 8,801 performance rights under the 1 July 2009 grant vested, but delivery is delayed for two years in accordance with the conditions attaching to the grant.

(b) The performance hurdles were tested as at 30 June 2011 with the following results:

	Result			Vested %		
Grant date	Retention	Absolute TSR Return	Relative TSR Ranking	Retention	Absolute TSR	Relative TSR
A F O Wilkinson						
1 June 2009	Achieved	13.14%	28.00%	100.00%	22.80%	–%
A J Slade						
1 July 2008	Achieved	6.00%	89.30%	100.00%	–%	100.00%
1 July 2009	Achieved	9.00%	28.00%	100.00%	–%	–%

		Vested – Number		
	Total	Retention Result	Absolute TSR Result	Relative TSR Result
A F O Wilkinson				
1 June 2009	45,200	32,880	12,320	–
A J Slade				
1 July 2008	8,516	4,258	–	4,258
1 July 2009	3,518	3,518	–	–

Under the terms of the 2009 year grants to Andrew Slade, the performance hurdles that did not pass will be retested on the subsequent anniversary of the grant.

Under the terms of the 2009 year grants to Andrew Wilkinson and Andrew Slade, the stapled securities that are to be issued over performance rights that vested have a delayed delivery date of two years.

9.5.4 Analysis of movements in performance rights
The movement during the reporting period, by value of options over stapled securities in ALE is detailed below.

Executive	Granted in year $ (a)	Vested and exercised in year $ (b)	Lapsed in year $ (c)
A F O Wilkinson	–	–	–
A J Slade	–	24,251	5,749

(a) The value of performance rights granted during the year 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.

(b) The value of performance rights vested during the year is calculated as the market price of the stapled securities of ALE as at the close of trading on the day the performance rights vested.

(c) The value of performance rights lapsed during the year is calculated using the market price of the stapled securities of ALE as at the close of trading on the day the performance rights lapsed.

DIRECTORS' REPORT

For the year ended 30 June 2011

9.6 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, the risk-free interest rate for the term of the performance right and any delayed delivery in the securities to the executive.

9.7 NON-EXECUTIVE DIRECTORS' REMUNERATION

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the ALE Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 10 November 2010 was $500,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on them and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed in the current financial year, the first review since 2007. 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 other 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 any equity based payments, retirement benefits or other incentive payments.

9.7.2 Remuneration Structure

ALE non-executive directors receive a cash fee for service and they have no entitlement to any performance based remuneration, nor can they participate in any security based incentive scheme.

During FY11, fee increases to non-executive and executive directors (excluding the Managing Director) were made following the review by remuneration consultants Guerdon Associates Pty Limited. These overall increases of 14.00% reflect in part the additional responsibilities undertaken by non-executive directors as members of various committees and increased commitments required of the directors. The last review of directors, Board and Committee fees was in 2007.

The current base remuneration was last reviewed with effect from January 2011. The Directors' fees are inclusive of committee fees.

	Board		ACRMC		Remuneration Committee	
	Chairman*	Member	Chairman	Member	Chairman	Member
Board and Committee fees	$175,000	$85,000	$15,000	$10,000	$15,000	$5,000

* The Chairman of the Board's fees are inclusive of all committee fees.

James McNally's (Executive Director) remuneration is determined in accordance with the above fees. He receives an additional $5,000 for being a Responsible Manager of the Company under the Company's AFSL and $10,000 for being a director of ALE Finance Company Pty Limited.

9.8 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. Long term incentives are market and non-market based performance related as set out in section 9.4 above. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2010 to 30 June 2011

Details of the remuneration of the Key Management Personnel for the year 30 June 2011 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Long service leave	Equity based payment				
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Performance Rights $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e) (vi) Value of performance rights as proportion of remuneration $
P H Warne	Non-executive Director	149,083	–	–	149,083	13,417	–	–	–	162,500	–	–
J P Henderson	Non-executive Director	92,500	–	–	92,500	–	–	–	–	92,500	–	–
H I Wright	Non-executive Director	87,156	–	–	87,156	7,844	–	–	–	95,000	–	–
B R Howell	Company Secretary	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A F O Wilkinson	Executive Director	342,926	135,000	–	477,926	15,199	5,200	–	80,000	578,325	37.2%	13.8%
J T McNally	Executive Director	95,000	–	–	95,000	–	–	–	–	95,000	–	–
A J Slade	Capital Manager	172,397	80,000	6,764	259,161	15,199	2,853	–	–	277,213	28.9%	–
M J Clarke	Finance Manager	148,164	35,000	8,917	192,081	13,466	1,738	–	–	207,285	16.9%	–
D J Shipway	Asset Manager	123,269	25,000	–	148,269	11,094	328	–	–	159,691	15.7%	–
		1,300,495	275,000	15,681	1,591,176	76,219	10,119	–	80,000	1,757,514		

Table 2 Remuneration details 1 July 2009 to 30 June 2010

Details of the remuneration of the Key Management Personnel for the year 30 June 2010 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Long service leave	Equity based payment				
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Performance Rights $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e) (vi) Value of performance rights as proportion of remuneration $
P H Warne	Non-executive Director	137,615	–	–	137,615	12,385	–	–	–	150,000	–	–
J P Henderson	Non-executive Director	85,000	–	–	85,000	–	–	–	–	85,000	–	–
H I Wright	Non-executive Director	77,982	–	–	77,982	7,018	–	–	–	85,000	–	–
B R Howell	Company Secretary	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A F O Wilkinson	Executive Director	321,789	100,000	–	421,789	14,461	2,021	–	80,000	518,271	34.7%	15.4%
J T McNally	Executive Director	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A J Slade	Capital Manager	172,274	60,000	–	232,274	14,461	–	–	50,000	296,735	37.1%	16.9%
M J Clarke	Finance Manager	136,525	45,000	9,280	190,805	12,554	–	–	–	203,359	22.1%	–
		1,111,185	205,000	9,280	1,325,465	60,879	2,021	–	130,000	1,518,365		

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

10 STAPLED SECURITIES UNDER OPTION

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

11 STAPLED SECURITIES ISSUED ON THE EXERCISE OF OPTIONS

The following stapled securities were issued on the exercise of performance rights during the financial year.

Executive	Number of Stapled Securities Issued
A F O Wilkinson	–
A J Slade	12,248

12 INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of $37,350 (2010: $37,750) 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 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; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

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

	30 June 2011 $	30 June 2010 $
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	164,500	167,712
– in relation to prior year	37,500	30,000
Total remuneration for audit services	**202,000**	197,712
Other services		
KPMG Australian firm:		
Transaction compliance services	–	150,983
Total other services	**–**	150,983

14 ENVIRONMENTAL REGULATION
While 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 responsibilities and compliance with 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.

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 18.

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 2nd day of August 2011

AUDITOR'S INDEPENDENCE DECLARATION

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, 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 2011, there have been:

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

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

KPMG

KPMG

N VIRGO
PARTNER

Sydney
2 August 2011

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue			
Rent from investment properties	6	50,242	53,330
Interest from cash deposits	7	7,296	5,607
Total revenue		**57,538**	58,937
Other income			
Discount on debt buybacks		197	5,661
Fair Value Increments to investment properties	17	44,425	–
Other income		33	
Total other income		**44,655**	5,661
Total revenue and other income		**102,193**	64,598
Expenses			
Loss on disposal of investment properties		–	1,271
Loss on termination of CPI hedging		–	2,025
Fair value decrements to investment properties	17	–	4,130
Fair value decrements to derivatives	8	7,878	33,915
Finance costs (cash and non-cash)	10	37,418	32,027
Queensland land tax expense		2,422	2,857
Other expenses	9	4,094	3,748
Total expenses		**51,812**	79,973
Profit/(Loss) before income tax		**50,381**	(15,375)
Income tax expense/(benefit)	12	(489)	149
Profit/(Loss) after income tax		**50,870**	(15,524)
Profit/(Loss) attributable to stapled securityholders of ALE		**50,870**	(15,524)
Other comprehensive income		–	–
Other comprehensive income for the period after income tax		–	–
Total comprehensive income for the period		**50,870**	(15,524)
Profit/(Loss) attributable to:			
Members of ALE		50,870	(15,524)
Non-controlling interest		–	–
Profit/(Loss) for the period		**50,870**	(15,524)
Total comprehensive income attributable to:			
Members of ALE		50,870	(15,524)
Non-controlling interest		–	–
Total comprehensive income for the period		**50,870**	(15,524)
		Cents	Cents
Basic and diluted earnings per stapled security	14(a)	32.49	(10.94)

The above statement of comprehensive income should be read in conjunction with the accompanying Notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	15	110,178	132,062
Derivatives	11	1,534	–
Receivables	16	11,229	17,807
Other		166	863
Total current assets		**123,107**	150,732
Non-current assets			
Investment properties	17	758,275	713,850
Derivatives	11	9,857	21,190
Plant and equipment		74	40
Deferred tax asset	13	2,722	2,233
Total non-current assets		**770,928**	737,313
Total assets		**894,035**	888,045
Current liabilities			
Payables	18	7,421	6,708
Borrowings	20	71,755	158,185
Provisions	19	15,448	18,412
Total current liabilities		**94,624**	183,305
Non-current liabilities			
Borrowings	20	437,672	356,610
Derivatives	11	10,351	25,537
Total non-current liabilities		**448,023**	382,147
Total liabilities		**542,647**	565,452
Net assets		**351,388**	322,593
Equity			
Contributed equity	21	178,661	169,838
Retained profits	22	172,494	152,572
Reserve	23	233	183
Total equity		**351,388**	322,593
Net assets per stapled security		**$2.22**	$2.10

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

·STATEMENT OF CHANGES IN EQUITY·

For the year ended 30 June 2011

	Note	Share Capital $'000	Share based payments reserve $'000	Retained Earning $'000	Total $'000
2011					
Total equity at the beginning of the year		**169,838**	**183**	**152,572**	**322,593**
Total comprehensive income for the period					
Profit/(Loss) for the year		–	–	50,870	50,870
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	50,870	50,870
Employee share based payments expense	23	–	80	–	80
Securities issued – dividend reinvestment plan	21	8,799	–	–	8,799
Vesting of performance rights	23	24	(30)	6	–
Distribution paid or payable	14		–	(30,954)	(30,954)
Total equity at the end of the year		**178,661**	**233**	**172,494**	**351,388**
2010					
Total equity at the beginning of the year		64,761	84	204,677	269,522
Total comprehensive income for the period					
Profit/(Loss) for the year		–	–	(15,524)	(15,524)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	(15,524)	(15,524)
Employee share based payments expense	23	–	130	–	130
Securities issued – institutional placement	21	29,596	–	–	29,596
Securities issued – rights issue	21	75,634	–	–	75,634
Securities issued – dividend reinvestment plan	21	4,636	–	–	4,636
Institutional placement and rights issue costs	21	(4,815)	–	–	(4,815)
Vesting of performance rights	23	26	(31)	5	–
Distribution paid or payable	14		–	(36,586)	(36,586)
Total equity at the end of the year		169,838	183	152,572	322,593

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

RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITYHOLDERS

	Note	**2011 $'000**	2010 $'000
Profit attributable to the stapled securityholders of ALE		**50,870**	(15,524)
Adjustments for non-cash items	14	(19,641)	53,594
Total available for distribution		**31,229**	38,070
Distribution paid or provided for		30,954	36,586
Available and undistributed for the year	14	**275**	1,484

CASH FLOW STATEMENT

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from tenant and others		50,272	53,394
Payments to suppliers and employees		(5,421)	(9,207)
Interest received – bank deposits		7,857	4,323
Interest received – interest rate swaps		9,795	8,539
Borrowing costs paid		(29,668)	(26,516)
Net cash inflow from operating activities	15	**32,835**	30,533
Cash flows from investing activities			
Net proceeds from disposal of properties		6,250	98,423
Payments for plant and equipment		(64)	–
Net cash inflow from investing activities		**6,186**	98,423
Cash flows from financing activities			
Proceeds from ALE Notes 2 issue		–	125,000
Proceeds from CMBS issue		160,000	–
Borrowing costs paid		(2,851)	(3,405)
Proceeds from stapled securities issue		–	100,416
Derivatives fair value termination payments		(13,264)	(5,760)
Borrowings repaid			
CPI hedge indexation payment		(7,393)	(4,692)
NAB bank debt facility		–	(55,000)
ALE Notes		(14,134)	(68,112)
CIB		–	(11,476)
CMBS		(158,108)	(83,070)
Distributions paid (net of DRP securities issued)		(25,155)	(26,700)
Net cash inflow/(outflow) from financing activities		**(60,905)**	(32,799)
Net increase/(decrease) in cash and cash equivalents		**(21,884)**	96,157
Cash and cash equivalents at the beginning of the year		132,062	35,905
Cash and cash equivalents at the end of the year	15	**110,178**	132,062

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

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 1 REPORTING ENTITY

ALE, the stapled entity, was formed in November 2003 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 results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2010 to 30 June 2011.

The stapled securities of ALE are quoted on the Australian Stock Exchange under the code LEP and comprise one unit in the Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and cannot 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 statement 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 statements are general purpose financial statements which have 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 statements also comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The financial statements are 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

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 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 property
- Note 4(c) and Note 33 – valuation of financial instruments
- Note 24 – measurement of share based payments

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The financial statements include financial statements for the ALE Property Group ("ALE"), consisting of the Australian Leisure and Entertainment Property Trust and its subsidiaries. Summarised financial information in relation to Australian Leisure and Entertainment Trust as the parent entity is presented in Note 34 to the financial statements.

(a) Principles of consolidation

The 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. 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.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 and capital works expenditure is the responsibility of the tenant under the triple net leases in place over 84 of the 87 properties. For the remaining three hotels capital works expenditure and structural maintenance is the responsibility of ALE. ALE undertakes periodic 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 each property is independently revalued at least every three years. Changes in the fair values of investment properties are recorded in the Statement of Comprehensive Income.

Gains and losses on disposal of a property are determined by comparing the net proceeds on disposal with the carrying amount of the property at the date of disposal. Net proceeds on disposal are determined by subtracting disposal costs from the gross sale proceeds.

(c) 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.

(d) 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 statement of comprehensive income.

(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 Statement of Comprehensive Income 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 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 statement of comprehensive income.

(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.

(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
ALE documents, at the inception of any 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 or fair value hedges and accordingly ALE has valued them all at fair value with movements recorded in the Statement of Comprehensive Income.

(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 amounts 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 securityholders that include a return of capital are shown in equity as a transfer from (or reduction of) contributed equity.

(m) Revenue recognition
Rental income from operating leases is recognised on a straight line basis over the lease term. Rentals that are based on the future amount that changes other than the passage of time, including CPI linked rental increases, are only recognised when contractually due. 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 statement of financial position 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 due 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 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 performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable 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 recognises 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

(v) Retirement benefit obligations
ALE pays fixed contributions to employee nominated superannuation 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 securityholders each financial year.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to 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.

(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 and liquidity 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 33 provide further information).

(t) New accounting standards and UIG interpretation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

(u) Segment reporting

An operating segment is a component of ALE that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of ALE's other entities. All operating segments' operating results are regularly reviewed by ALE's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

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 the Board's 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 average weighted lease term of the properties is 17 years.

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.

	2011 Yields	2010 Yields	**2011 Average**	2010 Average
New South Wales	**5.90% – 7.69%**	5.80% – 7.30%	**6.76%**	6.68%
Victoria	**5.35% – 7.06%**	5.50% – 7.25%	**6.33%**	6.65%
Queensland	**5.10% – 6.95%**	5.80% – 7.25%	**6.38%**	6.53%
South Australia	**6.39% – 6.78%**	6.50% – 6.80%	**6.66%**	6.68%
Western Australia	**6.26% – 7.33%**	6.00% – 6.80%	**6.88%**	6.60%

Valuations reflect, where appropriate, the tenant in occupation, the credit worthiness of the tenant, the triple-net nature of the leases (84 of 87 properties), land tax (Queensland only) 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 counterparties. 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.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 5 FINANCIAL RISK MANAGEMENT

Overview

The Trust and Group have 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 an 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 its training and management standards and procedures, has developed 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 ALE'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 ALE if its tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from ALE's receivables from the tenant, investment securities and derivatives contracts.

Trade and other receivables

ALE's exposure to credit risk is influenced mainly by the individual characteristic of its 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. There are also cross default provisions in the leases and the properties are essential to the tenant's business operations.

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 manages its liquidity risk by using detailed forward cash flow planning and by maintaining strong relationships with banks and investors in the capital markets.

ALE has liquidity risk management policies which assist 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, where possible, liability movements with movement in property values.

Property valuation risk

ALE owns a number of investment properties. Those property valuations may increase or decrease from time to time. Some of ALE's financing facilities contain gearing covenants. ALE reviews the risk of gearing covenant breaches by constantly monitoring gearing levels and has contingency capital management plans to ensure that sufficient headroom is maintained.

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 ALE defines as distributable income divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of gearing.

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 may undertake on-market buybacks of ALE stapled securities, ALE Notes and ALE Notes 2. ALE has also previously made ongoing capital distribution payments to stapled securityholders 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 in the context of any increase or decrease from time to time based on existing property value movements, acquisitions completed, the levels of debt financing used and a range of prudent financial metrics, both at the time and on a projected basis going forward.

The outcomes 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 2011 and 30 June 2010 were 60.7% and 63.7% respectively.

The net gearing ratios at 30 June 2011 and 30 June 2010 were 50.9% and 50.6% respectively.

	2011 $'000	2010 $'000
NOTE 6 RENT FROM INVESTMENT PROPERTIES		
Rent from continuing properties	50,199	48,857
Rent from properties sold	43	4,473
	50,242	53,330

During the current and previous financial years, ALE's investment property lease rentals were reviewed to state based CPI annually and are not subject to fixed increases, apart from the lease for the Pritchard's Hotel which has fixed increases.

During the previous financial year properties were sold. Settlement on one property occurred in July 2010 and ALE was entitled to receive rent for the property until settlement occurred.

	2011 $'000	2010 $'000
NOTE 7 INTEREST INCOME		
Operating bank and term deposit interest	**7,296**	5,607

As at 30 June 2011 the weighted average interest rate earned on cash was 5.62% (2010: 5.73%)

	2011 $'000	2010 $'000
NOTE 8 CURRENT YEAR FAIR VALUE ADJUSTMENTS TO DERIVATIVES		
Fair value increments/(decrements) to interest rate swap derivatives	(6,682)	(11,238)
Fair value increments/(decrements) to CPI hedge derivatives	(1,196)	(22,677)
	(7,878)	(33,915)
NOTE 9 OTHER EXPENSES		
Annual reports	56	73
Audit, accounting, tax and professional fees	267	264
Corporate advisory services	102	97
Depreciation expense – plant and equipment	30	46
Insurance	115	97
Legal fees	244	223
Dispute costs	200	300
Occupancy costs	132	122
Other expenses	427	332
Property condition and compliance audits	111	141
Registry fees	94	125
Salaries, fees and related costs	2,104	1,705
Staff training	37	33
Travel and accommodation	37	43
Trustee and custodian fees	138	147
	4,094	3,748

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
NOTE 10 FINANCE COSTS (CASH AND NON-CASH)			
Finance costs – cash			
Capital Indexed Bonds (CIB)	20(a)	4,408	4,553
Commercial Mortgage Backed Securities (CMBS)	20(b)	8,568	8,099
National Australia Bank Loan Facility	20(d)	–	2,416
ALE Notes	20(e)	5,653	9,642
ALE Notes 2	20(f)	11,063	1,864
Interest rate derivative payments/(receipts)	20	(9,840)	(8,758)
Other finance expenses	(ii)	251	212
	(i)	**20,103**	18,028
Finance costs – non-cash			
Accumulating indexation – CIB	20(a)	3,637	2,666
Accumulating indexation – CPI Hedges	20(c)	10,464	8,481
Amortisation – CIB and CMBS	(iii)	327	259
Amortisation – NAB facility	(iii)	–	206
Amortisation – CPI Hedges	(iii)	14	4
Amortisation – ALE Notes	(iii)	1,880	1,727
Amortisation – ALE Notes premium	(iv)	311	547
Amortisation – ALE Notes 2	(iii)	682	109
		17,315	13,999
Finance costs (cash and non-cash)		**37,418**	32,027

(i) Amounts represent gross cash finance costs before derivative payments and receipts.
(ii) Other borrowing costs such as rating agency fees and liquidity fees.
(iii) Establishment costs of the various borrowings are amortised over the period of the borrowing on an effective rate basis.
(iv) Premium of $2.50 per outstanding note payable on maturity of ALE Notes is accruing over the period of November 2003 to September 2011 on an effective rate basis.

	2011 $'000	2010 $'000
NOTE 11 DERIVATIVES		
Current assets	1,534	–
Non current assets	9,857	21,190
Total assets	11,391	21,190
Non current liabilities	(10,351)	(25,537)
Net assets/(liabilities)	**1,040**	(4,347)

Instruments used by ALE

ALE uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and the consumer price index in accordance with ALE's financial risk management policies. As at balance date, ALE has hedged all non CIB net borrowings through the use of CPI Hedges. In addition to CPI Hedges, interest rates on certain floating rate borrowings had previously been subject to interest rate swaps. Following the implementation of the CPI Hedges the interest rates swaps were no longer required and were matched with counter swaps. Interest rate swaps and CPI Hedges are carried on the statement of financial position at fair value. Changes in the mark to market fair value of these derivatives are recognised in the Statement of Comprehensive Income.

Note 20 contains further information on the derivative financial instruments in place over current net borrowings.

	2011 $'000	2010 $'000
NOTE 12 INCOME TAX		
Current tax expense/(benefit)	–	1
Deferred tax expense	(489)	148
Income tax expense/(benefit)	**(489)**	149
Deferred income tax expense included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax asset (Note 13)	(489)	148
	(489)	148
Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	50,381	(15,375)
Profit/(loss) attributable to entities not subject to tax	52,088	(15,680)
Profit/(loss) before income tax expense subject to tax	(1,707)	305
Tax at the Australian tax rate of 30%	(513)	92
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	24	39
Other	–	23
Under/(over) provision in prior years	–	(5)
Income tax expense/(benefit)	**(489)**	149
NOTE 13 DEFERRED TAX ASSETS		
Deferred tax asset	**2,722**	2,233
The balance is attributable to:		
Derivatives – interest rate swaps	1,330	2,187
Employee benefits	13	3
Acquisition proposal due diligence costs	5	4
Amortised borrowing costs	(430)	(246)
Accruals	128	128
Other items	(6)	(15)
Tax losses	1,682	172
Net deferred tax assets	**2,722**	2,233
Movements:		
Opening balance	2,233	2,381
Credited/(charged) to the income statement (Note 12)	489	(148)
Credited/(charged) to equity	–	–
Closing balance	**2,722**	2,233
Deferred tax assets to be recovered within 12 months	140	206
Deferred tax assets to be recovered after more than 12 months	2,582	2,027
	2,722	2,233

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

	Note	**2011 $'000**	2010 $'000
NOTE 14 DISTRIBUTIONS AND EARNING PER STAPLED SECURITY			
Reconciliation of profit after tax to amounts available for distribution:			
Profit after income tax for the year	(a)	**50,870**	(15,524)
Plus/(less)			
Loss/(profit) on sale of investment properties		–	1,271
Fair value decrements to investment properties		(44,425)	4,130
Fair value increments/(decrements) to derivatives		7,878	33,915
Employee share based payments		80	130
Finance costs – non cash	10	17,315	13,999
Income tax expense/(benefit)		(489)	149
Adjustments for non-cash items		**(19,641)**	53,594
Total available for distribution	(b)	**31,229**	38,070
Distribution paid or provided for	(d)	30,954	36,586
Available and under/(over) distributed for the year	(e)	**275**	1,484

	Number of Stapled Securities On Issue	Number of 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	156,564,420	141,837,573
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	156,564,420	141,837,573
Stapled securities on issue at the end of the year used in calculating total available for distribution per stapled security at (c) below	157,990,976	153,354,571

	2011 cps	2010 cps
(a) Basic and diluted earnings per stapled security	32.49	(10.94)
(b) Basic and diluted earnings per stapled security excluding non cash items (Distributable Profit)	19.95	26.84
(c) Total available for distribution	19.77	24.82
(d) Distribution per stapled security	19.75	24.00
(e) Available and under/(over) distributed for the year	0.02	0.82

cps = cents per security.

	2011 $'000	2010 $'000
NOTE 15 CASH ASSETS AND CASH EQUIVALENTS		
Cash at bank and in hand	9,494	3,494
Deposits at call	92,294	123,068
Cash reserve	8,390	5,500
	110,178	132,062

An amount of $8.4 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 2015 and 20 November 2023 respectively.

During the year ended 30 June 2011 all cash assets were placed on deposit with either the National Australia Bank Limited, Westpac Banking Corporation, Commonwealth Bank of Australia Limited, Bankwest Limited, or Macquarie Bank Limited. As at 30 June 2011, the weighted average interest rate on all cash assets was 5.62% (2010: 5.73%).

Reconciliation of profit after income tax to net cash inflows from operating activities		
Profit for the year	50,870	(15,524)
Plus/(less):		
Fair value decrements/(increments) to investment property	(44,425)	4,130
Fair value decrements/(increments) to derivatives	7,878	33,915
Finance costs amortisation	3,214	2,852
Loss/(gain) on disposal of investment property	–	1,271
Discount of debt buybacks	(197)	(5,661)
Accumulated indexation on CIB	3,637	2,666
Accumulated indexation on CPI Hedges	10,464	8,481
Share based payments expense	80	130
Depreciation	30	46
Decrease/(increase) in receivables	328	(1,638)
Decrease/(increase) in deferred tax asset	(489)	148
Decrease/(increase) in other assets	697	(781)
Increase/(decrease) in payables	713	510
Increase/(decrease) in provisions	35	(12)
Net cash inflow from operating activities for the year	**32,835**	30,533

(a) During February/March 2010 five properties were sold. Settlement of one of these properties occurred post 30 June 2010, therefore proceeds from that disposal of property were received in the current year.

(b) Distribution payments totalling $8,799,000 were satisfied by the issue of securities under the Distribution Reinvestment Plan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	2011 $'000	2010 $'000
NOTE 16 RECEIVABLES		
Accounts receivable	1,250	1,061
Land resumption compensation receivable	8,080	8,080
Net property sale proceeds receivable	–	6,250
Interest receivable	1,899	2,416
	11,229	17,807
NOTE 17 INVESTMENT PROPERTIES		
Investment properties – at fair value	**758,275**	713,850
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	713,850	804,765
Disposals – at fair value	–	(78,705)
Resumptions – at fair value	–	(8,080)
Net gain/(loss) from fair value adjustments	44,425	(4,130)
Carrying amount at the end of the year	**758,275**	713,850

All investment properties are freehold and 100% owned by ALE and comprise land, buildings and fixed improvements. The plant and equipment, liquor, gaming licences and certain development rights are held by the tenant.

Leasing arrangements

84 of the 87 properties in the portfolio are leased to ALH on a triple net basis for 25 years, mostly starting in November 2003, with four 10 year options for ALH to renew. The remaining three properties are leased on long term leases to ALH on a double net basis.

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. As at 30 June 2011 the weighted average investment property capitalisation rate used to determine the value of all investment properties was 6.44% (2010: 6.60%).

Independent valuations as at 30 June 2011

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 29 properties were independently valued as at 30 June 2011. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by Urbis Valuations.

Directors' valuations as at 30 June 2011

29 of ALE's portfolio of 87 properties were independently valued as at 30 June 2011. The remaining 58 properties were subject to Directors' valuations as at 30 June 2011, identified as "B". The Directors' valuations of the 58 properties were determined by taking each property's net rent as at 30 June 2011 and capitalising it at a rate equal to the prior year capitalisation rate for that property, adjusted by the average change in capitalisation rate evident in the 29 independent valuations completed at 30 June 2011 on a state by state basis.

NOTE 17 INVESTMENT PROPERTIES (CONTINUED)

Property	Date acquired	Cost including additions $'000	Valuation type and date	**Fair value at 30 June 2011 $'000**	Fair value at 30 June 2010 $'000	**Fair value gains/(losses) 30 June 2011 $'000**
New South Wales						
Blacktown Inn, Blacktown	Nov-03	5,472	B	8,000	7,930	70
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	A	8,450	8,140	310
Colyton Hotel, Colyton	Nov-03	8,208	B	12,800	12,690	110
Crows Nest Hotel, Crows Nest	Nov-03	8,772	B	11,850	11,750	100
Melton Hotel, Auburn	Nov-03	3,114	B	5,150	5,110	40
Narrabeen Sands Hotel, Narrabeen	Mar-09	8,945	A	10,325	10,020	305
New Brighton Hotel, Manly	Nov-03	8,867	B	12,050	11,950	100
Pioneer Tavern, Penrith	Nov-03	5,849	A	8,725	8,460	265
Pritchard's Hotel, Mount Pritchard	Oct-07	21,130	A	18,300	18,710	(410)
Smithfield Tavern, Smithfield	Nov-03	4,151	B	6,190	6,140	50
Total New South Wales properties		**80,168**		**101,840**	100,900	**940**
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	B	11,070	10,160	910
Alderley Arms Hotel, Alderley	Nov-03	3,303	A	4,925	4,600	325
Anglers Arms Hotel, Southport	Nov-03	4,434	B	7,210	6,550	660
Balaclava Hotel, Cairns	Nov-03	3,304	B	5,310	4,830	480
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	B	13,530	11,760	1,770
Burleigh Heads Hotel, Burleigh Heads	Nov-08	6,685	B	10,790	9,840	950
Camp Hill Hotel, Camp Hill	Nov-03	2,265	A	3,150	2,980	170
Chardons Corner Hotel, Annerly	Nov-03	1,416	B	1,770	1,600	170
Dalrymple Hotel, Townsville	Nov-03	3,208	B	5,200	4,820	380
Edge Hill Tavern, Manoora	Nov-03	2,359	B	4,270	3,920	350
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	B	4,530	4,260	270
Four Mile Creek, Strathpine	Jun-04	3,672	A	5,775	5,380	395
Hamilton Hotel, Hamilton	Nov-03	6,604	B	8,620	6,530	2,090
Holland Park Hotel, Holland Park	Nov-03	3,774	B	5,970	5,500	470
Kedron Park Hotel, Kedron Park	Nov-03	2,265	B	3,190	2,850	340
Kirwan Tavern, Townsville	Nov-03	4,434	B	7,840	7,210	630
Lawnton Tavern, Lawnton	Nov-03	4,434	B	6,590	6,030	560
Miami Tavern, Miami	Nov-03	4,057	B	7,980	6,620	1,360
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	A	4,650	4,440	210
Mount Pleasant Tavern, Mackay	Nov-03	1,794	B	3,080	2,950	130
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	B	11,680	10,650	1,030
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	A	3,975	3,770	205
Palm Beach Hotel, Palm Beach	Nov-03	6,886	B	10,560	9,580	980
Pelican Waters, Caloundra	Jun-04	4,237	A	6,250	6,020	230
Prince of Wales Hotel, Nundah	Nov-03	3,397	A	5,375	4,970	405
Racehorse Hotel, Booval	Nov-03	1,794	B	2,520	1,610	910
Redland Bay Hotel, Redland Bay	Nov-03	5,189	A	6,900	3,800	3,100
Royal Exchange Hotel, Toowong	Nov-03	5,755	A	8,200	7,620	580
Springwood Hotel, Springwood	Nov-03	9,150	B	12,760	11,710	1,050
Stones Corner Hotel, Stones Corner	Nov-03	5,377	B	8,450	7,810	640
Vale Hotel, Townsville	Nov-03	5,661	A	9,450	8,950	500
Wilsonton Hotel, Toowoomba	Nov-03	4,529	B	7,430	6,820	610
Total Queensland properties		**145,254**		**219,000**	196,140	**22,860**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 17 INVESTMENT PROPERTIES (CONTINUED)

Property	Date acquired	Cost including additions $'000	Valuation type and date	**Fair value at 30 June 2011 $'000**	Fair value at 30 June 2010 $'000	**Fair value gains/(losses) 30 June 2011 $'000**
South Australia						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	A	5,250	5,120	130
Eureka Tavern, Salisbury	Nov-03	3,303	A	5,425	5,290	135
Exeter Hotel, Exeter	Nov-03	1,888	B	3,300	3,210	90
Finsbury Hotel, Woodville North	Nov-03	1,605	A	2,800	2,680	120
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	B	3,910	3,800	110
Hendon Hotel, Royal Park	Nov-03	1,605	B	2,890	2,810	80
Stockade Tavern, Salisbury	Nov-03	4,435	B	6,970	6,770	200
Total South Australian properties		**18,310**		**30,545**	29,680	**865**
Victoria						
Ashley Hotel, Braybrook	Nov-03	3,963	B	6,560	6,190	370
Bayswater Hotel, Bayswater	Nov-03	9,905	B	16,710	15,780	930
Berwick Inn, Berwick	Feb-06	15,888	B	18,310	17,220	1,090
Blackburn Hotel, Blackburn	Nov-03	9,433	A	13,375	12,650	725
Blue Bell Hotel, Wendouree	Nov-03	1,982	B	3,990	3,770	220
Boundary Hotel, East Bentleigh	Jun-08	17,943	B	19,425	19,810	(385)
Burvale Hotel, Nunawading	Nov-03	9,717	B	15,590	14,720	870
Club Hotel – FTG, Ferntree Gully	Nov-03	5,095	B	8,900	8,400	500
Cramers Hotel, Preston	Nov-03	8,301	B	14,000	13,220	780
Deer Park Hotel, Deer Park	Nov-03	6,981	A	11,325	10,630	695
Doncaster Inn, Doncaster	Nov-03	12,169	B	18,620	17,580	1,040
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	B	8,740	8,250	490
Gateway Hotel, Corio	Nov-03	3,114	B	5,900	5,570	330
Keysborough Hotel, Keysborough	Nov-03	9,622	B	13,610	12,850	760
Mac's Melton Hotel, Melton	Nov-03	6,886	A	10,825	10,160	665
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	A	12,750	11,980	770
Mitcham Hotel, Mitcham	Nov-03	8,584	A	13,050	12,260	790
Morwell Hotel, Morwell	Nov-03	1,511	B	3,270	3,090	180
Olinda Creek Hotel, Lilydale	Nov-03	3,963	B	6,430	6,070	360
Pier Hotel, Frankston	Nov-03	8,019	B	11,680	11,030	650
Plough Hotel, Mill Park	Nov-03	8,490	B	12,320	11,630	690
Prince Mark Hotel, Doveton	Nov-03	9,810	B	15,500	14,630	870
Royal Exchange, Traralgon	Nov-03	2,171	B	4,550	4,300	250
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	A	16,400	15,510	890
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	A	9,625	9,110	515
Sandringham Hotel, Sandringham	Nov-03	4,529	B	8,550	8,070	480
Somerville Hotel, Somerville	Nov-03	2,642	B	5,230	4,940	290
Stamford Inn, Rowville	Nov-03	12,733	B	18,690	17,640	1,050
Sylvania Hotel, Campbellfield	Nov-03	5,377	B	9,390	8,860	530
Tudor Inn, Cheltenham	Nov-03	5,472	A	8,900	8,420	480
The Vale Hotel, Mulgrave	Nov-03	5,566	A	8,800	8,330	470
Victoria Hotel, Shepparton	Nov-03	2,265	B	4,330	4,090	240
Village Green Hotel, Mulgrave	Nov-03	12,546	A	17,200	16,290	910
Young & Jackson, Melbourne	Nov-03	6,132	B	9,440	8,910	530
Total Victorian properties		**250,810**		**381,985**	361,960	**20,025**

NOTE 17 INVESTMENT PROPERTIES (CONTINUED)

Property	Date acquired	Cost including additions $'000	Valuation type and date	**Fair value at 30 June 2011 $'000**	Fair value at 30 June 2010 $'000	**Fair value gains/(losses) 30 June 2011 $'000**
Western Australia						
Balmoral Hotel, East Victoria Park	Jul-07	6,377	A	5,775	6,150	(375)
The Brass Monkey Hotel, Northbridge	Nov-07	7,815	B	7,350	7,400	(50)
Queens Tavern, Highgate	Nov-03	4,812	A	7,200	6,990	210
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	B	4,580	4,630	(50)
Total Western Australian properties		**22,118**		**24,905**	25,170	**(265)**
Total investment properties		**516,660**		**758,275**	713,850	**44,425**

Reconciliation of fair value gains/losses for year ending 30 June 2011	
Fair value as at 30 June 2010	713,850
Disposals during the year ended 30 June 2011	–
Additions during year ended 30 June 2011	–
Carrying amount before 30 June 2011 valuations	713,850
Fair value as at 30 June 2011	758,275
Fair value gain/(loss) for year ended 30 June 2011	**44,425**

Valuation type and date

A Independent valuations conducted during June 2011 with a valuation date of 30 June 2011.

B Directors' valuations conducted during June 2011 with a valuation date of 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
NOTE 18 PAYABLES			
Trade creditors		247	315
Interest accrued on CIB		499	484
Interest accrued on CMBS		1,962	881
Interest accrued on ALE Notes		1,285	1,535
Interest accrued on ALE Notes 2		1,295	1,864
Other accruals		2,133	1,629
		7,421	6,708
NOTE 19 PROVISIONS			
Provision for distribution		15,404	18,403
Provision for annual leave		44	9
		15,448	18,412
NOTE 20 BORROWINGS			
Current borrowings			
CMBS – maturing May 2011	(b)	–	158,185
ALE Notes – maturing September 2011	(e)	71,755	–
		71,755	158,185
Non-current borrowings			
CIB – maturing November 2023	(a)	130,022	126,349
CMBS – maturing May 2016	(b)	157,225	–
CPI Hedge – maturing November 2023	(c)	28,030	20,449
CPI Hedge – repaid	(c)	–	4,496
NAB Facility – repaid	(d)	–	–
ALE Notes – maturing September 2011	(e)	–	83,603
ALE Notes 2 – maturing August 2014	(f)	122,395	121,713
		437,672	356,610

The maturity dates indicated are the scheduled maturity dates.

		2011 $'000	2010 $'000
Capital Indexed Bonds (CIB)			
Opening balance		126,349	138,362
Repayment of borrowings		–	(14,710)
Accumulating indexation		3,637	2,666
Amortisation of establishment costs		36	31
Closing balance		**130,022**	126,349
Commercial Mortgage Backed Securities (CMBS)			
Opening balance		158,185	244,557
Proceeds from CMBS issue		160,000	–
Repayment of borrowings		(158,400)	(86,600)
Borrowing establishment costs capitalised		(2,851)	–
Amortisation of establishment costs		291	228
Closing balance		**157,225**	158,185

	2011 $'000	2010 $'000
NOTE 20 BORROWINGS (CONTINUED)		
CPI Hedge – Maturing November 2023		
Opening balance	20,449	15,218
Accumulating indexation	7,577	5,226
Amortisation of establishment costs	4	5
Closing balance	**28,030**	20,449
CPI Hedge – Maturing May 2023		
Opening balance	4,496	5,932
Repayment of borrowings	(7,393)	(4,692)
Accumulating indexation	2,887	3,255
Amortisation of establishment costs	10	1
Closing balance	**–**	4,496
NAB – Working capital facility		
Opening balance	–	54,794
Repayment of borrowings	–	(55,000)
Amortisation of establishment costs	–	206
Closing balance	**–**	–
ALE Notes		
Opening balance	83,603	148,349
Repayment of borrowings	(14,039)	(67,020)
Amortisation of establishment costs	1,880	1,727
Premium payable at maturity – accrued	311	547
Closing balance	**71,755**	83,603
ALE Notes 2		
Opening balance	121,713	–
Proceeds of borrowings	–	125,001
Borrowing establishment costs capitalised	–	(3,397)
Amortisation of establishment costs	682	109
Closing balance	**122,395**	121,713

(a) CIB

$125 million of CIB was issued in May 2006. 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 accumulating quarterly in line with the national consumer price index. The total amount of the accumulating indexation is not payable until maturity of the CIB in November 2023. During the prior year $13.1 million of the notional balance of the CIB with a book value of $14.7 million were bought back by ALE at a discount of $3.23 million to their face value.

(b) CMBS

During the year CMBS issued between May 2006 and August 2007 were repaid on the scheduled maturity date of 20 May 2011. On 29 April 2011 $160 million of replacement CMBS were issued with a scheduled maturity of 20 May 2016.

As required by the new CMBS issue on 29 April 2011, ALE put in place $160 million of interest rate swap contracts to cover 100% of the CMBS interest payments. Under these swap contracts, ALE is obliged to receive a floating rate interest and pay fixed rate interest. Given the CPI hedging arrangements, counterswaps were entered into which fully offset the new swap contracts for interest on the $160 million CMBS. ALE will continue to receive or pay net amounts until 2020 arising from the difference between fixed rates payable and fixed rates receivable in respect of the offsetting swaps.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 20 BORROWINGS (CONTINUED)

(c) CPI Hedges

At the beginning of the financial year, ALE had in place two CPI Hedges to hedge its floating nominal rate debt, consisting of CMBS, ALE Notes and ALE Notes 2. The original hedges were transacted with two separate counterparties and covered $245 million of debt (maturing in November 2023) and $80 million of debt (maturing in May 2023). During the period the full $80 million of the May 2023 hedge was terminated to match ALE's reduced net outstanding borrowings. At balance date, all of ALE's outstanding floating rate debt has been fully hedged up to November 2023 by the remaining CPI Hedge.

CPI Hedge – Maturing November 2023

Since 7 December 2007, ALE has had a 16 year CPI Hedge in place in respect of the $245 million of floating rate debt. 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. The CPI Hedge indexation is calculated with reference to the national CPI. The indexation that accumulates is added to the $245 million notional balance of the CPI Hedge. The accumulated indexation 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 accumulated indexation and any mark to market revaluation amount may become payable/receivable in December 2012 or December 2017. During the year ending 30 June 2011, $2.831 million of net swap interest from the CPI Hedge was received/receivable (2010: $0.375 million received/receivable).

CPI Hedge – maturing May 2023

In July 2008 and August 2008, a CPI Hedge was established in respect of $205 million of floating rate debt. On 2 November 2009, $125 million of the nominal amount of this hedge was terminated, leaving a notional balance of $80 million at the beginning of the current financial year. On 29 June 2011, the remaining $80 million of the nominal amount of the hedge was terminated. A real base interest rate of 3.77% p.a. applied to the CPI Hedge and it was settled quarterly, with the notional balance of the CPI Hedge escalating quarterly in line with the national CPI. During the year ending 30 June 2011, $0.568 million of net swap interest from the CPI Hedge was received (2010: $0.263 million paid/payable).

(d) NAB Facility

In October 2007, ALE established a $55 million facility with National Australia Bank. The NAB facility had a floating interest rate and a maturity date of May 2011. During the previous financial year the facility was repaid in full.

(e) 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 is also payable on the maturity date. The outstanding balance of ALE Notes base interest rate exposure (and the ALE Notes 2 that replaces it) is fully hedged until November 2023.

On 9 July 2008, ALE put in place an interest rate swap to counter swap 100% of the fixed interest payments on the $150 million ALE Notes borrowings. Under the swap contract, ALE is obliged to receive fixed interest and pay floating interest. On 8 July 2010 ALE put in place a counter hedge that locks in the benefit existing in the original swap at that date and allows the benefit to be realised over the remaining term of the swap.

During the financial years ended 30 June 2010 and 30 June 2011 ALE conducted on-market and off-market buybacks of ALE Notes. Additionally, existing ALE Noteholders were given the option of converting their holding of ALE Notes into ALE Notes 2 via a reinvestment option at the time the ALE Notes 2 were issued (see (f) below). Each of these initiatives was completed at a premium to the book value of the ALE Notes at the time they were undertaken. In total a notional amount of $84.29 million of ALE Notes were bought back or reinvested.

(f) ALE Notes 2

$125 million of ALE Notes 2 were issued on 30 April 2010, with a scheduled maturity date of 20 August 2014. Under the terms of the issue, ALE has the right to extend the maturity date by one or two years, at which time a redemption premium of $1 and $2 respectively becomes due and payable upon maturity. Interest is payable on the ALE Notes 2 on a floating rate basis.

(g) Interest rate swaps

At 30 June 2011, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Nominal Interest Rate Swaps and CPI Hedges		Counter Swaps on Nominal Interest Rate Swaps		Net Derivative position	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Less than 1 year	150,000	–	(150,000)	–	–	–
1 – 2 years	–	150,000	–	(150,000)	–	–
2 – 3 years	–	–	–	–	–	–
3 – 4 years	–	–	–	–	–	–
4 – 5 years	–	–	–	–	–	–
Greater than 5 years*	405,000	500,000	(160,000)	(175,000)	245,000	325,000
	555,000	650,000	(310,000)	(325,000)	245,000	325,000

* The periods of expiry shown assume the rights not to break and rights to extend are exercised by the hedge counterparties.

NOTE 20 BORROWINGS (CONTINUED)

The above notional amounts do not include the accumulated indexation associated with the remaining CPI Hedge.

The swap and hedge contracts require settlement of net interest receivable or payable on a quarterly basis. The settlement dates coincide with the dates on which interest is payable on the underlying borrowings. The contracts are settled on a net basis.

Assuming rights to break and rights to extend are not exercised by the hedge counterparties, the average weighted term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE has decreased from 12.9 years at 30 June 2010 to 12.4 years at 30 June 2011.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the statement of comprehensive income. In the year ended 30 June 2011 a decrement in value of $7.878 million was recognised to the Statement of Comprehensive Income (2010: decrement in value of $33.915 million).

Assets pledged as security

The ALE Notes and ALE Notes 2 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:

	2011 $'000	2010 $'000
Current assets		
Cash reserve	**8,390**	5,500
Non-current assets		
Total investment properties	758,275	713,850
Less: Properties not subject to mortgages		
Boundary Hotel, East Bentleigh, VIC	–	(19,810)
Pritchard's Hotel, Mt Pritchard, NSW	–	(18,710)
The Brass Monkey Hotel, Northbridge, WA	–	(7,400)
Properties subject to first mortgages	**758,275**	667,930
Total assets pledged as security (including cash reserve)	**766,665**	673,430

In the event of a default by the properties' tenant, Australian Leisure and Hospitality Group Limited (ALH), and if the assets pledged as security are insufficient to fully repay CMBS and CIB borrowings, the CMBS and CIB holders are also entitled in certain circumstances to recover certain unpaid amounts from the business assets of ALH.

Financial Covenants

ALE is required to comply with certain financial covenants in respect of its borrowing facilities. The major financial covenants are summarised as follows:

Loan to Value Ratio Covenants (LVR)

Borrowing	LVR Covenant	Consequence
CIB	Outstanding value of CIB not to exceed 25% of the CMBS property security pool	ALE cannot borrow additional funds or buy back equity that would cause the LVR to be exceeded
CMBS	Outstanding value of CIB and CMBS not to exceed 60% of the CMBS property security pool	ALE cannot borrow additional funds or buy back equity that would cause the LVR to be exceeded
ALE Notes	Senior borrowings not to exceed 60% of total assets	ALE cannot borrow additional funds or buy back equity that would cause the LVR to be exceeded
ALE Notes	Total borrowings not to exceed 87.5% of total assets	ALE cannot borrow additional funds or buy back equity that would cause the LVR to be exceeded
ALE Notes 2	Total borrowings not to exceed 67.5% of total assets	ALE cannot borrow additional funds or buy back equity that would cause the LVR to be exceeded
CPI Hedge	Senior borrowings not to exceed 60% of total property values	Counterparty can terminate the CPI Hedge
Interest Rate Derivatives	Market value of certain derivatives not to exceed 50% of Boundary and Pritchard's Hotels property values	Counterparty can terminate the Interest Rate Derivatives covered by the covenant

ALE currently considers that significant headroom exists with respect of all the above covenants.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 20 BORROWINGS (CONTINUED)

Definitions

Senior borrowings excludes the ALE Notes and ALE Notes 2
All covenants, except the Interest Rate Swap Derivatives covenant, exclude the market value of derivatives
EBITDAR – Earnings before Interest, Tax, Depreciation, Amortisation and Rent

Interest Cover Ratio Covenants (ICR)

Borrowing	LVR Covenant	Consequence
CIB/CMBS	ALH EBITDAR to be greater than 4.5 times CIB/CMBS interest	Stapled security distributions lock up
CIB/CMBS	ALH EBITDAR to be greater than 3.0 times CIB/CMBS interest	Stapled security distributions and ALE Notes Interest lock up
CPI Hedges	No covenant	Nil
ALE Notes	ALE EBITDAR to be greater than 1.2 times total interest	Stapled security distributions and ALE Notes Interest lock up
ALE Notes 2	No covenant	Nil

Definitions

CIB/CMBS interest excludes ALE Notes and ALE Notes 2 interest
Interest amounts include all derivative rate swap payments and receipts

ALE currently considers that significant headroom exists with respect of all the above covenants.

At 30 June 2011 and 30 June 2010, ALE and its subsidiaries were in compliance with all the above covenants.

	2011 $'000	2010 $'000
NOTE 21 CONTRIBUTED EQUITY		
Balance at the beginning of the period	169,838	64,761
Securities issued – ALE Executive Performance Rights Plan	24	26
Securities issued – Distribution Reinvestment Plan	8,799	4,636
Securities issued – institutional placement	–	29,596
Securities issued – rights issue	–	75,634
Institutional placement and rights issue costs	–	(4,815)
	178,661	169,838

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

	2011 Number of Stapled Securities	2010 Number of Stapled Securities
Stapled securities on issue:		
Balance at the beginning of the period	153,354,571	87,692,019
Securities issued – ALE Executive Performance Rights Plan	12,248	11,088
Securities issued – Distribution Reinvestment Plan	4,624,157	2,074,471
Securities issued – institutional placement	–	13,153,803
Securities issued – rights issue	–	50,423,190
Balance at the end of the period	**157,990,976**	153,354,571

NOTE 21 CONTRIBUTED EQUITY (CONTINUED)

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 unit holder 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 5.42% 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.

Institutional placement and rights issue

During the previous financial year, the ALE Property Group undertook an Institutional Placement of stapled securities of 15% of the issued stapled securities. These stapled securities were issued at $2.25 each. In addition, a 1 for 2 rights issue was conducted, with the stapled securities issued at $1.50 per stapled security.

	2011 $'000	2010 $'000
NOTE 22 RETAINED PROFITS		
Balance at the beginning of the year	152,572	204,677
Profit attributable to stapled securityholders	50,870	(15,524)
Transfer from share based payments reserve	6	5
Total available for appropriation	203,448	189,158
Distributions provided for or paid during the year	(30,954)	(36,586)
Balance at the end of the year	**172,494**	152,572
NOTE 23 SHARE BASED PAYMENTS RESERVE		
Balance at the beginning of the year	183	84
Employee share based payments	80	130
Transfer to Retained Profits on lapsing of Performance Rights	(6)	(5)
Vesting of performance rights transferred to equity	(24)	(26)
Balance at the end of the year	**233**	183

Share based payments are detailed further in Note 24.

· NOTES TO THE FINANCIAL STATEMENTS ·

For the year ended 30 June 2011

NOTE 24 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 at nil cost to the employee. Under the Performance Rights Plan, grants of performance rights have been made to Mr Wilkinson and Mr Slade. In accordance with the plan the performance rights vest upon performance hurdles being achieved.

The terms and conditions of the grants are as follows:

Employee entitled	Grant date	Number of PRs	Vesting conditions	Contractual Life of PRs
Mr A F O Wilkinson	1 June 2009	160,026	1. Service period 2. Absolute Total Securityholder Return 3. Total Securityholder Return compared to comparative group	1 June 2011
Mr A J Slade	1 July 2008 1 July 2009	12,774 39,669	1. Service period 2. Absolute Total Securityholder Return 3. Total Securityholder Return compared to comparative group	30 June 2011 30 June 2012

The vesting conditions for Mr Slade's performance rights are tested annually soon after 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:

	Number of performance rights 2011	**Weighted average fair value 2011 $**	Number of performance rights 2010	Weighted average fair value 2010 $
Outstanding at 1 July	237,335	1.11	41,013	1.88
Granted during period	–	–	210,583	0.98
Vested during year	(12,248)	1.98	(11,088)	1.97
Lapsed during year	(3,817)	1.98	(3,173)	1.97
Outstanding at 30 June	**221,270**	**1.05**	237,335	1.11

During the year 12,319 performance rights vested to Andrew Slade and 45,200 vested to Andrew Wilkinson. Under the terms of the grants delivery of stapled securities is delayed for 2 years until 1 July 2013.

The performance rights outstanding at 30 June 2011 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-tradeable 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 25 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	Capital Manager
B R Howell	Company Secretary and Compliance Officer
M J Clarke	Finance Manager and Assistant Company Secretary
D J Shipway	Asset 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.

	2011 $	2010 $
Short term employee benefits	1,591,176	1,325,465
Post employment benefits	76,219	60,879
Other long term benefits	10,119	2,021
Share based payments	80,000	130,000
	1,757,514	1,518,365

NOTE 26 REMUNERATION OF AUDITORS

	2011 $	2010 $
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	164,500	167,712
– in relation to prior year	37,500	30,000
Total remuneration for audit services	**202,000**	197,712
Other services		
KPMG Australian firm:		
Transaction compliance services	–	150,983
Total other services	**–**	150,983

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 27 RELATED PARTY TRANSACTIONS

(a) Parent entity, subsidiaries and associates

Details are set out in Note 34.

(b) Key management personnel

Key management personnel and their compensation is set out in Note 25.

(c) Transactions with related parties

For the year ended 30 June 2011, the Company received $3,501,676 of expense reimbursement from the Trust (2010: $3,034,011), and the Finance Company charged the Sub Trust $15,699,415 in interest (2010: $20,704,572).

Peter Warne is also a director of Next Financial Limited (Next Financial) which acts as an Investment Manager. At 30 June 2011, Next Financial held on behalf of its clients (other than Peter Warne) 2,537,389 (2010: 3,396,558) 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 in ALE Property Group that are held by Next Financial for its clients. Procedures have been put into place to ensure Peter Warne's independence and confidentiality of information are maintained.

Peter Warne is a non-executive director of Macquarie Group Limited ("Macquarie"). Macquarie has provided banking services, underwriting 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 any of the above matters.

(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 28 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 office premises at Level 10, 6 O'Connell Street, Sydney starting November 2010. The Company has also entered into a non-cancellable operating lease for office equipment. The minimum net lease commitments under these leases are:

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	108	88
Later than one year but not later than five years	266	253
Later than five years	–	22
	374	363

NOTE 29 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Put and call options

For most 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 of four subsequent ten year terms, there is a call option for ALE (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. ALE must pay the purchase price on expiry of the lease. Any leasehold improvements funded and completed by the tenant will be purchased by ALE from the tenant for an amount of $1.

Bank guarantee

ALE has entered into a bank guarantee of $184,464 in respect of the office tenancy at Level 10, 6 O'Connell Street, Sydney.

NOTE 30 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 IFRS.

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 31 SEGMENT INFORMATION

Business segment

The results and financial position of ALE's single operating segment, ALE Strategic Business Unit, are prepared for the Managing Director on a quarterly basis. The strategic business unit covers the operations of the responsible entity for the ALE Property Group.

Comparative information has been presented in conformity with the requirements of AASB 8 *Operating Segments*.

All ALE Property Group's properties are leased to ALH, and accordingly 100% of the rental income is received from ALH.

Geographical segment

ALE owns property solely within Australia.

NOTE 32 EVENTS OCCURRING AFTER REPORTING DATE

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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTE 33 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 if the tenant has appropriate financial standing having regard to the various security arrangements that are in place.

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

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

Exposure to credit risk

	Note	**2011 $'000**	2010 $'000
Receivables	16	11,229	17,807
Derivatives	11	11,391	21,190
Cash and cash equivalents	15	110,178	132,062
		132,798	171,059

Impairment losses

The ageing of trade receivables at balance date was:

	2011		2010	
	Gross Receivable $'000	**Impairment $'000**	Gross Receivable $'000	Impairment $'000
Not past due	1,881	–	16,980	–
Past due 0–30 days	143	–	–	–
Past due 31–120 days	–	–	–	–
Past due 121–365 days	91	–	–	–
More than one year	9,114	995	827	795
	11,229	995	**17,807**	795

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

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

30 June 2011	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	7,421	(7,421)	(7,421)	–	–	–	–
CIB	130,022	(246,623)	(2,633)	(2,292)	(4,676)	(14,771)	(222,251)
CMBS	157,225	(217,431)	(5,917)	(5,852)	(11,737)	(193,925)	–
ALE Notes	71,755	(73,614)	(73,614)	–	–	–	–
ALE Notes 2[1]	122,395	(160,354)	(5,671)	(5,610)	(11,250)	(137,823)	–
Derivative financial instruments							
Interest rate swaps	(1,040)	2,692	2,228	1,145	1,710	661	(3,052)
CPI Hedges[2]	28,030	(120,242)	1,351	1,338	2,397	5,582	(130,910)
	515,808	**(822,993)**	**(91,677)**	**(11,271)**	**(23,556)**	**(340,276)**	**(356,213)**

1 Assumes the rights to extend for a further one or two years are not exercised.
2 Assumes the counterparty's right to break is not exercised.

30 June 2010	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	6,708	(6,708)	(6,708)	–	–	–	–
CIB	126,349	(246,133)	(2,189)	(2,218)	(4,521)	(14,250)	(222,955)
CMBS	158,185	(169,713)	(5,907)	(163,806)	–	–	–
ALE Notes	83,603	(91,455)	(3,087)	(3,037)	(85,331)	–	–
ALE Notes 2[1]	121,713	(171,084)	(5,516)	(5,529)	(11,181)	(148,858)	–
Derivative financial instruments							
Interest rate swaps	4,347	14,659	3,160	2,930	7,003	1,566	–
CPI Hedges[2]	24,945	(146,692)	915	1,801	3,388	8,152	(160,948)
	525,850	(817,126)	(19,332)	(169,859)	(90,642)	(153,390)	(383,903)

1 Assumes the rights to extend for a further one or two years are not exercised.
2 Assumes the counterparty's right to extend are exercised and the counterparty's right to break is not exercised.

Interest rates used to determine contractual cash flows

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

(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 or hedged 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.

NOTE 33 FINANCIAL INSTRUMENTS (CONTINUED)

Profile

At the reporting date, the interest rate profile of ALE's interest rate sensitive financial instruments was as follows:

	2011 $'000	2010 $'000
Derivative financial assets	11,391	21,190
Derivative financial liabilities	(10,351)	(25,537)
Borrowings		
CIB	(130,022)	(126,349)
CMBS	(157,225)	(158,185)
CPI Hedge – maturing November 2023	(28,030)	(20,449)
CPI Hedge – terminated June 2011	–	(4,496)
ALE Notes	(71,755)	(83,603)
ALE Notes 2	(122,395)	(121,713)
	(508,387)	(519,142)

Sensitivity analysis

A change of 100 basis points in the prevailing nominal market 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 2010.

	Statement of Comprehensive Income		Equity	
	100 bps increase $'000	100 bps decrease $'000	100 bps increase $'000	100 bps decrease $'000
30 June 2011				
Interest rate swaps	38	(38)	38	(38)
CPI hedges	22,900	(25,600)	22,900	(25,600)
CIB	–	–	–	–
CMBS	–	–	–	–
CPI Hedge – maturing November 2023	–	–	–	–
CPI Hedge – maturing May 2023	–	–	–	–
ALE Notes	–	–	–	–
ALE Notes 2	–	–	–	–
	22,938	**(25,638)**	**22,938**	**(25,638)**
30 June 2010				
Interest rate swaps	(1,868)	1,851	(1,868)	1,851
CPI hedges	31,400	(35,500)	31,400	(35,500)
CIB	–	–	–	–
CMBS	–	–	–	–
CPI Hedge – maturing November 2023	–	–	–	–
CPI Hedge – maturing May 2023	–	–	–	–
ALE Notes	–	–	–	–
ALE Notes 2	–	–	–	–
	29,532	(33,649)	29,532	(33,649)

The impact on the Statement of Comprehensive Income 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.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 33 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 property valuations. ALE's CPI Hedge liabilities are also impacted by movements in the CPI.

Profile

At the reporting date, ALE's CPI sensitive financial instruments were as follows:

	2011 $'000	2010 $'000
Financial instruments		
Investment properties	758,275	713,850
CIB	(130,022)	(126,349)
CPI Hedge – fair value of derivative	(5,009)	(14,880)
CPI Hedge – accumulating indexation	(28,030)	(24,945)
	595,214	547,676

Sensitivity analysis for variable rate instruments

A change of 100 bps in CPI at the reporting date would have increased/(decreased) Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and capitalisation rates applicable to investment properties, remain constant. The analysis is performed on the same basis for 2010.

	Statement of Comprehensive Income		Equity	
	100 bps increase $'000	100 bps decrease $'000	100 bps increase $'000	100 bps decrease $'000
30 June 2011				
Investment properties	8,237	(7,532)	8,237	(7,532)
CPI Hedge – fair value of derivative	(24,400)	22,100	(24,400)	22,100
CPI Hedge – accumulated indexation	–	–	–	–
CIB	–	–	–	–
	(16,163)	**14,568**	**(16,163)**	**14,568**
30 June 2010				
Investment properties	6,826	(7,444)	6,826	(7,444)
CPI Hedge – fair value of derivative	(33,300)	30,200	(33,300)	(59,500)
CPI Hedge – accumulated indexation	–	–	–	–
CIB	–	–	–	–
	(26,474)	22,756	(26,474)	(66,944)

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 Statement of Comprehensive Income or Equity arising from a 100 bps movement in CPI at the reporting date on the CIB or CPI Hedge – accumulated indexation, 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 33 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:

	2011		2010	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Cash and cash equivalents	110,178	110,178	132,062	132,062
Receivables	11,229	11,229	17,807	17,807
Derivatives	1,040	1,040	(4,347)	(4,347)
Other assets	166	166	863	863
Trade and other payables	(7,421)	(7,421)	(6,708)	(6,708)
CIB	(130,022)	(106,218)	(126,349)	(100,710)
CMBS	(157,225)	(160,000)	(158,185)	(153,847)
ALE Notes	(71,755)	(72,675)	(83,603)	(87,662)
ALE Notes 2	(122,395)	(125,876)	(121,713)	(126,876)
	(366,205)	**(349,577)**	(350,173)	(329,418)

Basis for determining fair values

The basis for determining fair values is disclosed in Note 4. The ALE Notes and ALE Notes 2 are traded debt securities on the Australian Securities Exchange. The fair value disclosed above reflects the market value of the ALE Notes and ALE Notes 2 at the balance date.

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 quotes prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2011				
Derivative financial assets	–	11,391	–	11,391
Derivative financial liabilities	–	(10,351)	–	(10,351)
	–	**1,040**	**–**	**1,040**
30 June 2010				
Derivative financial assets	–	21,190	–	21,190
Derivative financial liabilities	–	(25,537)	–	(25,537)
	–	(4,347)	–	(4,347)

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 34 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2011 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2011 $'000	2010 $'000
Result of the parent entity		
Profit for the period	31,229	36,598
Other comprehensive income	–	–
Total comprehensive income for the period	**31,229**	36,598
Financial position of the parent entity		
Current assets		
Cash	20,232	65,315
Receivables	69,272	30,229
Other	13	13
Non current assets		
Investments in controlled entities	275,656	275,656
Total assets	**365,173**	371,213
Current liabilities		
Payables	2,579	3,433
Provisions	15,441	18,403
Non current liabilities		
Borrowings	194,150	205,316
Total liabilities	212,170	227,152
Net assets	**153,003**	144,061
Total equity of the parent entity comprising:		
Issued units	175,623	167,056
Retained earnings	(22,620)	(22,995)
Total equity	**153,003**	144,061

· DIRECTORS' DECLARATION ·

In the opinion of the directors of the Company:

(a) the financial statements and notes that are set out on pages 19 to 52 and the Remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including

(i) giving a true and fair view of ALE's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

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

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

(c) The directors have been given the declarations required by *Section 295A of the Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2011.

(d) The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

PETER H WARNE
DIRECTOR
Sydney

Dated this 2nd day of August 2011

· INDEPENDENT AUDITOR'S REPORT ·

To stapled securityholders

KPMG

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

Report on the financial report

We have audited the accompanying financial report of ALE Property Group ("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, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of the Trust (Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group'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*.

· INDEPENDENT AUDITOR'S REPORT ·

To stapled securityholders

KPMG

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 Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report 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 Section 9 on pages 7 to 15 of the directors' report for the year ended 30 June 2011. 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

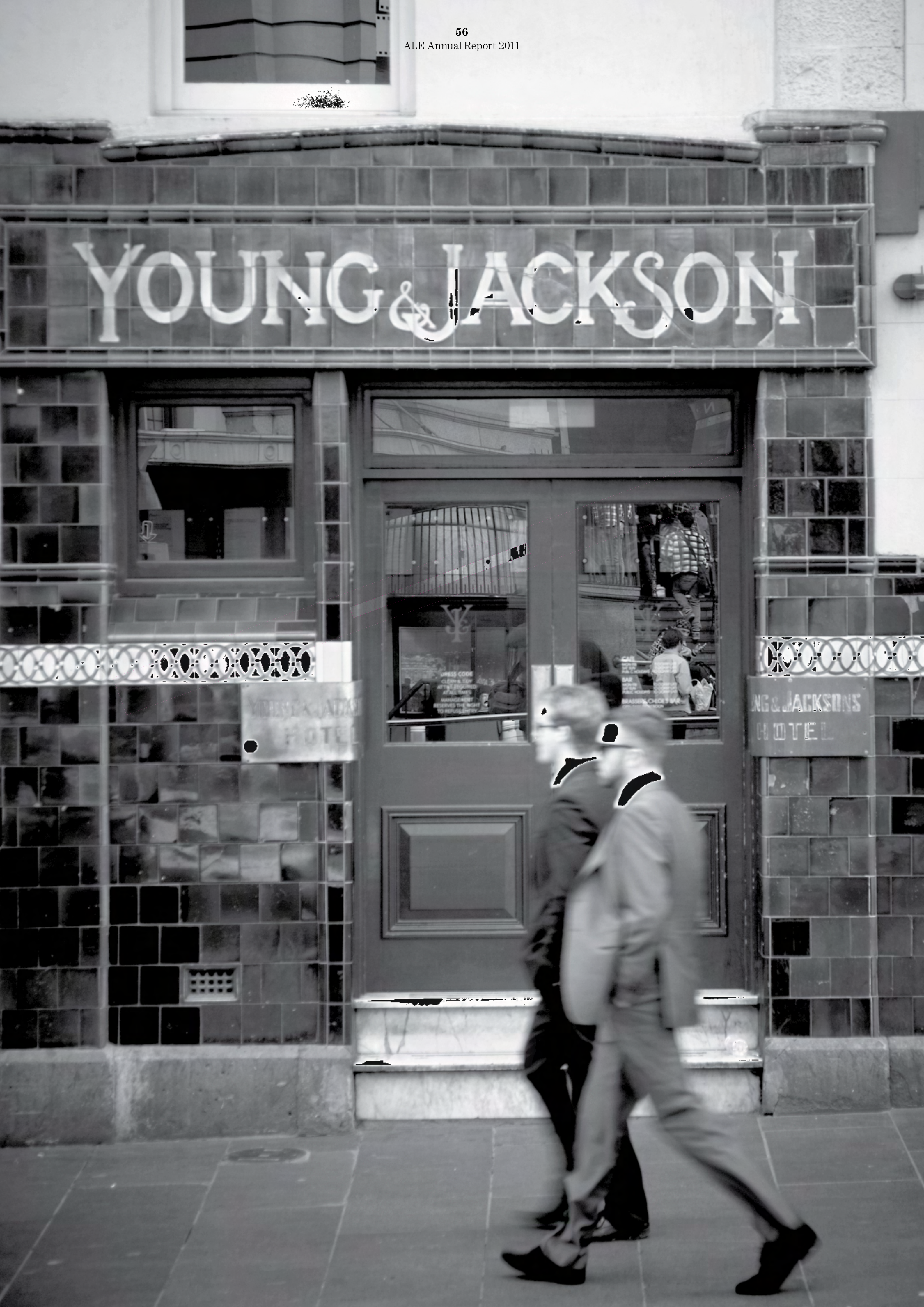
In our opinion, the remuneration report of ALE Property Group for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel Virgo
Partner

2 August 2011


YOUNG & JACKSON
NG & JACKSONS
HOTEL

Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

CONTENTS

ANNUAL REPORT 2011

AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED

WWW.ALEGROUP.COM.AU

DIRECTORS' REPORT

For the year ended 30 June 2011

The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2011.

The registered office and principal place of business of the Company is:
Level 10
6 O'Connell Street
Sydney 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 (2010: nil).

4 REVIEW OF OPERATIONS

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

	30 June 2011 $	30 June 2010 $
Revenue		
Expense reimbursement	3,501,676	3,034,011
Interest income	23,425	13,607
Total revenue	**3,525,101**	3,047,618
Expenses		
Salaries, fees and related costs	2,084,662	1,680,565
Other expenses	1,417,014	858,446
Total expenses	**3,501,676**	2,539,011
Profit/(loss) before income tax	**23,425**	508,607
Income tax expense/(benefit)	31,027	187,184
Profit/(loss) attributable to the shareholders of the Company	**(7,602)**	321,423

	Cents	Cents
Basic and diluted earnings per share	(0.00)	0.23
Dividend per share for the year	–	–
Net assets per share	7.31	7.33

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

In the opinion of the Directors of the Company, no transaction or event of a material and unusual nature has occurred between the end of the financial year and the date of this report that may significantly affect the operations of the Company, the results of those operations or the state of the 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 B.A, MAICD, Chairman and Non-executive Director.

Experience and expertise

Peter was appointed as Chairman and Non-executive Director of the Company in September 2003.

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

Peter is also a board member of three other listed entities, being ASX Limited, Macquarie Bank Limited and WHK Group Limited.

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

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

Experience and expertise

John was appointed as a Non-executive Director of the Company in August 2003.

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

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

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

Experience and expertise

Helen was appointed as a Non-executive Director of the Company in September 2003.

Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practised as a commercial lawyer specialising in real estate projects, including development and financing and related taxation and stamp duties.

Helen is the Chair of Screen NSW (formerly Film & Television Office), the Local Government Remuneration Tribunal for NSW and recently was reappointed as The Statutory and Other Offices Remuneration Tribunal of NSW. Prior appointments include the Boards of Sydney Harbour Foreshore Authority and subsidiaries, 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 B. Bus. CFTP, MAICD, 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 30 years experience in banking, corporate finance and funds management.

He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

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

Experience and expertise

James was appointed as an Executive Director of the Company in June 2003.

James has over 16 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 which specialises in compliance services to the funds management industry.

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.

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

8 INFORMATION ON DIRECTORS (CONTINUED)

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

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 19 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 ten years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an Independent Director for several unlisted public companies, some of which act as responsible entities.

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

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

Experience and expertise

David was appointed to ALE's ACRMC on 9 December 2005 and has over 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, 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	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	Oct 2007	June 2009

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 Nominations Committee Chair of the Remuneration Committee
H I Wright	Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
J P Henderson	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)
J T McNally	Responsible Manager of the Company under the Company's AFSL

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

The following Directors, key management personnel and their associates hold the following stapled security interests in the Company:

Name	Role	Number held at the start of the year	Net movement	Number held at 30 June 2011
P H Warne	Non-executive Director	1,185,000	–	1,185,000
J P Henderson	Non-executive Director	355,365	1,000	356,365
H I Wright	Non-executive Director	150,000	–	150,000
A F O Wilkinson	Executive Director	208,468	–	208,468
A J Slade	Capital Manager	31,064	(3,164)	27,900
M J Clarke	Finance Manager	4,564	3,177	7,741
D J Shipway	Asset Manager	–	5,000	5,000

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

Name	Role	Number held at the start of the year	Net movement	Number held at 30 June 2011
A F O Wilkinson	Executive Director	160,026	–	160,026
A J Slade	Capital Manager	77,309	(16,065)	61,244

Meetings of Directors

The number of meetings of the Company's Board of Directors held and of each Board committee meeting held during the year ended 30 June 2011 and the number of meetings attended by each Director at the time the Director held office during the year were:

	Board meetings		ACRMC		Remuneration Committee	
Director	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
P H Warne	17	16	8	8	6	6
J P Henderson	17	16	8	7	6	6
H I Wright	17	17	8	8	6	6
A F O Wilkinson	17	17	n/a	n/a	n/a	n/a
J T McNally	17	17	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.

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

9 REMUNERATION REPORT (AUDITED)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2011 for employees of ALE including the directors, the Managing Director and key management personnel.

The format and content of the Remuneration Report has changed compared with previous years. This reflects changes to the remuneration policies over the year, changes to reporting requirements and the desire to increase the transparency of the remuneration decisions made by ALE.

9.1 REMUNERATION OBJECTIVES AND APPROACH

In determining a remuneration framework the Board aims to ensure the following:

- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- links remuneration to performance.

The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled securityholders. To do this the Board ensures that executive reward satisfies the following objectives:

- alignment with ALE's financial, operational, compliance and risk management objectives so as to achieve alignment with positive outcomes for stapled securityholders;
- alignment with ALE's overall performance;
- transparent, reasonable and acceptable to employees and securityholders;
- rewards the responsibility, capability, experience and contribution made by executives; and
- market competitive and complementary to the reward strategy of the organisation.

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

9.2 REMUNERATION COMMITTEE

The Remuneration Committee ("the Committee") is a committee comprising non-executive directors of the Company. The Committee strives to ensure that ALE's remuneration structure strikes an appropriate balance between the interests of ALE securityholders and rewarding, motivating and retaining employees.

The Committee's charter sets out its role and responsibilities. The charter is reviewed on an annual basis. In fulfilling its role the Committee endeavours to ensure the remuneration framework established will:

- reward executive performance against agreed strategic objectives;
- encourage alignment of the interests of executives and stapled securityholders; and
- ensure there is an appropriate mix between fixed and "at risk" remuneration.

The Committee operates independently of ALE senior management in its recommendations to the Board and engages remuneration consultants independently of ALE management. During FY11, the Committee consisted of the following:

Peter Warne (Chairman)	Non-executive Director
Helen Wright	Non-executive Director
John Henderson	Non-executive Director

Refer page 59 of this report for information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 61.

The Remuneration Committee considers advice from a wide range of external advisors in performing its role. During the current financial year ALE engaged Guerdon Associates Pty Limited to review the fixed remuneration structure and Ernst & Young to review the Long Term Incentive Plan of ALE.

9.3 EXECUTIVE REMUNERATION

Executive remuneration comprises both a fixed component and an 'at risk' component. It specifically comprises:

- Fixed annual remuneration (FAR)
- Short term incentives (STI)
- Long term incentives (LTI)

9.3.1 Fixed Annual Remuneration (FAR)

What is FAR?	FAR is the guaranteed salary of the executive and includes superannuation and salary sacrificed components such as motor vehicles, laptops and superannuation.
How is FAR set?	FAR is set by reference to external market data for comparable roles and responsibilities within similar listed entities within Australia.
When is FAR Reviewed?	FAR is reviewed in December each year, with any changes being effective from 1 January of the following year.

9.3.2 Short Term Incentive (STI)

What is STI?	STI is an annual "at risk" component of an executive's remuneration. STI is used to reward executives for achieving annual business targets and their own individual key performance indicators (KPIs). The maximum STI opportunity for executives varies according to the role and responsibility of the executive.
How are STI targets and objectives chosen?	At the beginning of each year the Board sets a number of strategic objectives for ALE for that year. These objectives are dependent on the strategic issues facing ALE for that year and may include objectives that relate to longer term performance of ALE. Additionally individual specific KPIs are established for all executives with reference to their individual responsibilities that are linked to improving business processes, ensuring compliance with legislative requirements, ensuring compliance with risk management policies and protecting securityholder value as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.
How is STI performance accessed?	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 specific KPIs. This is at the discretion of the Board who have regard to the achievements of the objectives outlined above.
How are STI awards delivered?	STI payments are made in cash in August each year following the release of ALE's annual results.

9.3.3 Long Term Incentive (LTI)

What is LTI?	The LTI currently provides for the granting of Performance Rights over stapled securities in ALE. If performance conditions are met, then the Performance Rights vest and stapled securities are issued to the executive, subject to any delayed delivery conditions. If performance conditions are not met by the final testing date the Performance Rights lapse.
What are the LTI performance conditions?	The performance conditions for LTIs are as follows: A service period retention hurdle, whereby the employee must be employed by ALE at the vesting date for the Performance Rights to vest. A Total Securityholder Return (TSR) performance hurdle based on ALE's absolute TSR. A 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.
What are the periods for the performance conditions?	The performance periods for grants are determined on an individual basis. Presently LTI have been granted to Andrew Wilkinson and Andrew Slade. *Andrew Wilkinson* The performance period for grants to Mr Wilkinson are over the period of his service agreement covered by the grant. This is generally two to three years. As the grant covers the period of the service agreement contract there is no retesting performed on any failed vesting tests. *Andrew Slade* The performance period for grants to Mr Slade are split over the three years covered by each grant. One-third of the performance rights granted are tested on 30 June of each of the three years following the grant date. For grants prior to 30 June 2009, no retesting is performed on failed vesting tests. For grants made on and after 30 June 2009, any failed TSR performance hurdle is retested at the next anniversary until the performance period concludes.

·DIRECTORS' REPORT·

For the year ended 30 June 2011

What is the vesting scale for the Relative TSR performance hurdles?

Up to one third of total LTIs awarded are subject to a Relative TSR ranking over the performance period established in the grant.

ALE TSR Rank	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th percentile and 75th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

What is the vesting scale for the Absolute TSR performance hurdles?

Up to one third of total LTIs awarded are subject to an Absolute TSR ranking over the performance period established in the grant.

ALE TSR Rank	Vesting Scale
Below 12% TSR performance	Nil vesting
Between 12% and 17% TSR performance	Linear scale: 50% to 99% vesting
At or above 17% TSR performance	100% vesting

When are LTIs delivered?

Andrew Wilkinson
Any stapled securities issued under LTIs granted in 2009 will be delivered to Andrew Wilkinson two years after the vesting date provided that, in the reasonable opinion of the Board, he has not engaged in any conduct that:
(i) results in ALE having to make any material financial restatement;
(ii) causes ALE to incur a material financial loss; or
(iii) causes any significant harm to ALE and/or its businesses.

Andrew Slade
For grants prior to 30 June 2009 LTIs are delivered on an annual basis once testing has been performed and vesting established. For grants subsequent to 30 June 2009, any securities are delivered to Mr Slade two years after the vesting date, subject to the same conditions as Mr Wilkinson's listed above.

What changes have been made to LTIs for 2012 and subsequent period grants?

Given the time and material costs of maintaining the current LTI plan the Remuneration Committee has engaged Ernst & Young to review the arrangements with a view to simplifying the administration of the plan, while maintaining proper alignment to securityholders' long term interests. Any changes arising from this review will be announced when completed.

9.3.4 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Brendan Howell
Position	Managing Director	Capital Manager	Finance Manager and Assistant Company Secretary	Asset Manager	Executive Director	Company Secretary and Compliance Officer
Contract Length	2 years	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$365,000	$200,000	$175,000	$163,500	$100,000	$90,000
Notice by ALE	Per contract	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

Managing Director
Mr Wilkinson's current employment contract concluded on 1 June 2011.

The Company has agreed terms of a service agreement with Managing Director, Andrew Wilkinson, relating to the period starting 1 July 2011 and ending on 1 July 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being $365,000 for Andrew Wilkinson, to be reviewed annually each 31 December by the Board. A STI (which if earned, will be paid as a cash bonus in August each year) and a LTI in a form consistent with ALE's LTI arrangements.

Following the finalisation of Andrew Wilkinson's service agreement and the Remuneration Committee's consideration of a restructure of ALE's LTI arrangements, a grant of LTI will be made to him, subject to approval at ALE's 2011 AGM.

In the event of the termination of Andrew Wilkinson's service agreement, 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 long term incentive entitlements for the balance of the contract.

9.4 EXECUTIVE REMUNERATION OUTCOME FOR YEAR ENDED 30 JUNE 2011
Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 70.

STI Outcomes
ALE has performed relatively well compared to other Australian real estate investment trusts (AREITs) since the commencement of the global financial crisis (GFC). For FY11 ALE achieved a distributable profit of 19.95 cents per security, which compared favourably to the Board's guidance of at least 18.50 cents per security.

Management contribution to this performance was by way of:
- completion of the final stage of the $500 million capital management plan launched in 2009;
- completion of a new five year CMBS financing of $160 million at market competitive pricing – the first such issue in the Australian market since the GFC;
- preservation of the long term and cost effective capital indexed bonds as part of the CMBS refinancing;
- achievement of a Aaa rating on 90% of the new CMBS issue;
- execution of a range of discounted debt buybacks and repayments on a basis that maximised earnings outcomes; and
- delivery of a range of other strategic property, funding and hedging related initiatives.

The remuneration committee considered these achievements and compared them to key performance indicators for each executive that were set at the beginning of the year. The STI result for the Managing Director and Capital Manager particularly reflect the positive contributions they made to the various capital management and refinancing activities, as outlined above. Other executives contributed to a range of the important and valuable outcomes outlined above that were recognised in the STI payments made. All the STI payments are included in staff remuneration expenses in the current year.

The STI awarded to each member of the management team is detailed in table 9.8

· DIRECTORS' REPORT ·

For the year ended 30 June 2011

LTI Outcomes

The LTI awards under the ALE Executive Performance Rights Plan were tested as at 30 June 2011. As detailed in section 9.3.3, the performance hurdles were based on a combination of Retention, Absolute TSR and Relative TSR.

Andrew Slade was entitled to a grant of LTI for a value equivalent to $50,000 on 1 July 2010. At 30 June 2011 no grant has been made. A grant will be made following the completion of the remuneration committee's review of ALE's LTI arrangements.

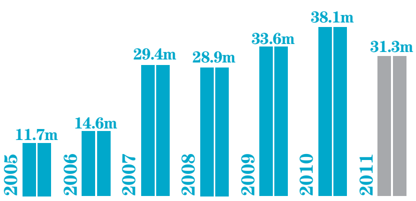
As outlined in section 9.5.3, the performance hurdles were partly achieved and applicable awards vested under the plan and remain subject to the delayed delivery restrictions that are set out in section 9.3.3.

ALE Financial Performance History

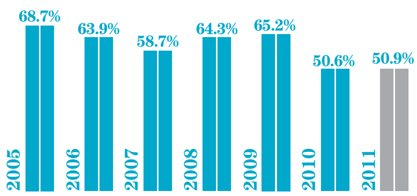
To provide context to ALE's performance, the following data and graphs outline a seven year history on key financial metrics.

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Distributable profit ($m)	11.7	14.6	29.4	28.9	33.6	38.1	31.3
Distribution per Security (cents)	12.85	16.00	32.50	33.60	30.00	24.00	19.75
Property values ($m)							
(Continuing properties)	613.5	655.6	723.8	722.7	718.5	713.9	758.3
Net gearing	68.7%	63.9%	58.7%	64.3%	65.2%	50.6%	50.9%

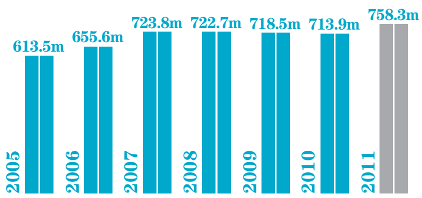
DISTRIBUTABLE PROFIT ($M)



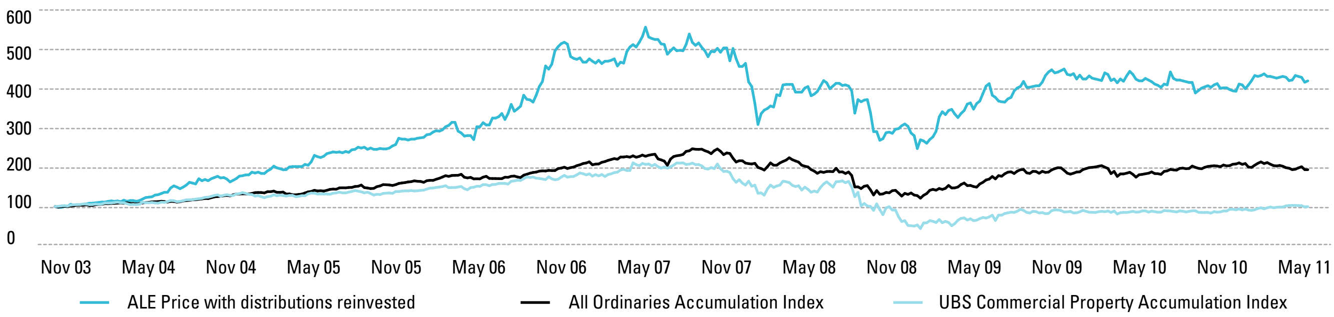
GEARING



CONTINUING PROPERTY VALUES ($M)



RELATIVE VALUE PERFORMANCE



Sources: ASX, IRESS, ALE

9.5 DISCLOSURES RELATING TO EQUITY INSTRUMENTS GRANTED AS COMPENSATION

9.5.1 Outstanding Performance Rights over equity instruments granted as compensation

Details of performance rights over stapled securities that have been granted as compensation and remain outstanding at year end and details of performance rights that vested during the financial period are as follows:

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 2011[2 & 3]	Number of Stapled Securities Issued[1]
A F O Wilkinson	160,026	1 June 2009	1 June 2009	1.00	1 June 2011	45,200	–
A J Slade	15,552	30 June 2008	1 July 2007	2.57	30 June 2010	4,542	4,542
A J Slade	30,206	1 July 2008	1 July 2008	1.67	30 June 2011	16,222	7,706
A J Slade	46,164	1 July 2009	1 July 2009	1.08	30 June 2012	12,319	–

1. Stapled Securities were issued at nil cost to the employee.
2. Stapled securities of 12,319 due to Mr Slade and 45,200 due to Mr Wilkinson in relation to the 2009 year grants have a delayed delivery of two years.
3. Stapled securities of 8,516 due to Mr Slade in respect of the 1 July 2008 grant will be issued during the 2012 financial year.

9.5.2 Modification of terms of equity settled share based payment transactions

No terms of equity settled share based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

9.5.3 Analysis of performance rights over equity instruments granted as compensation

Details of the vesting profiles of performance rights granted as remuneration are detailed below.

Executive	Number[1]	Date	% vested in year[3]	% forfeited in year[2]	Financial year in which grant vests	Hurdle testing
A F O Wilkinson	160,026	1 June 2009	28.2%	68.8%	1 June 2011	(b)
A J Slade	6,813	30 June 2008	66.7%	33.3%	1 July 2010	(a)
	11,558	1 July 2008	66.7%	33.3%	1 July 2010	(a)
	12,774	1 July 2008	66.7%	33.3%	1 July 2011	(b)
	12,898	1 July 2009	68.2%	–%	1 July 2010	(a)
	14,115	1 July 2009	23.4%	–%	1 July 2011	(b)
	21,457	1 July 2009	–%	–%	1 July 2012	

1. In accordance with the Rules of the Plan the number issued has been adjusted during the year for the rights issue that occurred in August 2009.
2. The % forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to performance criteria not being achieved and rights not being subject to any subsequent retesting.
3. The performance rights vesting in relation to 2009 year grants have a delayed delivery of two years.

(a) These performance rights were tested in the prior year, and as a result in the current year 12,248 performance rights that had vested were issued to Mr Slade. Additionally 8,801 performance rights under the 1 July 2009 grant vested but delivery is delayed for two years in accordance with the conditions attaching to the grant.

(b) The performance hurdles were tested as at 30 June 2011 with the following results:

·DIRECTORS' REPORT·

For the year ended 30 June 2011

	Result			Vested %		
Grant date	Retention	Absolute TSR Return	Relative TSR Ranking	Retention Result	Absolute TSR Result	Relative TSR Result
A F O Wilkinson						
1 June 2009	Achieved	13.14%	28.00%	100.00%	22.80%	–%
A J Slade						
1 July 2008	Achieved	6.00%	89.30%	100.00%	–%	100.00%
1 July 2009	Achieved	9.00%	28.00%	100.00%	–%	–%

	Vested – Number			
	Total	Retention Result	Absolute TSR Result	Relative TSR Result
A F O Wilkinson				
1 June 2009	45,200	32,880	12,320	–
A J Slade				
1 July 2008	8,516	4,258	–	4,258
1 July 2009	3,518	3,518	–	–

Under the terms of the 2009 year grants to Andrew Slade, the performance hurdles that did not pass will be retested on the subsequent anniversary of the grant.

Under the terms of the 2009 year grants to Andrew Wilkinson and Andrew Slade, the stapled securities that are to be issued over performance rights that vested have a delayed delivery date of two years.

9.5.4 Analysis of movements in performance rights
The movement during the reporting period, by value of options over stapled securities in ALE is detailed below.

Executive	Granted in year $ (a)	Vested and exercised in year $ (b)	Lapsed in year $ (c)
A F O Wilkinson	–	–	–
A J Slade	–	24,251	5,749

(a) The value of performance rights granted during the year 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.

(b) The value of performance rights vested during the year is calculated as the market price of the stapled securities of ALE as at the close of trading on the day the performance rights vested.

(c) The value of performance rights lapsed during the year is calculated using the market price of the stapled securities of ALE as at the close of trading on the day the performance rights lapsed.

9.6 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-tradeable nature of the performance right, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield, the risk-free interest rate for the term of the performance right and any delayed delivery in the securities to the executive.

9.7 NON-EXECUTIVE DIRECTORS' REMUNERATION

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the ALE Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 10 November 2010 was $500,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on them and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed in the current financial year, the first review since 2007. 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 other 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 any equity based payments, retirement benefits or other incentive payments.

9.7.2 Remuneration Structure

ALE non-executive directors receive a cash fee for service and they have no entitlement to any performance based remuneration, nor can they participate in any security based incentive scheme.

During FY11 fee increases to non-executive and executive directors (excluding the Managing Director) were made following the review by remuneration consultants Guerdon Associates Pty Limited. These overall increases of 14.00% reflect in part the additional responsibilities undertaken by non-executive directors as members of various committees and increased commitments required of the directors. The last review of directors, Board and Committee fees was in 2007.

The current base remuneration was last reviewed with effect from January 2011. The Directors' fees are inclusive of committee fees.

	Board		ACRMC		Remuneration Committee	
	Chairman*	Member	Chairman	Member	Chairman	Member
Board and Committee fees	$175,000	$85,000	$15,000	$10,000	$15,000	$5,000

* The Chairman of the Board's fees are inclusive of all committee fees.

James McNally's (Executive Director) remuneration is determined in accordance with the above fees. He receives an additional $5,000 for being a Responsible Manager of the Company under the Company's AFSL and $10,000 for being a director of ALE Finance Company Pty Limited.

·DIRECTORS' REPORT·

For the year ended 30 June 2011

9.8 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. Long term incentives are market and non-market based performance related as set out in section 9.7 above. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2010 to 30 June 2011

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2011 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Other long term	Equity based payment				
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Performance Rights $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e) (vi) Value of performance rights as proportion of remuneration $
P H Warne	Non-executive Director	149,083	–	–	149,083	13,417	–	–	–	162,500	–	–
J P Henderson	Non-executive Director	92,500	–	–	92,500	–	–	–	–	92,500	–	–
H I Wright	Non-executive Director	87,156	–	–	87,156	7,844	–	–	–	95,000	–	–
B R Howell	Company Secretary	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A F O Wilkinson	Executive Director	342,926	135,000	–	477,926	15,199	5,200	–	80,000	578,325	37.2%	13.8%
J T McNally	Executive Director	95,000	–	–	95,000	–	–	–	–	95,000	–	–
A J Slade	Capital Manager	172,397	80,000	6,764	259,161	15,199	2,853	–	–	277,213	28.9%	0.0%
M J Clarke	Finance Manager	148,164	35,000	8,917	192,081	13,466	1,738	–	–	207,285	16.9%	–
D J Shipway	Asset Manager	123,269	25,000	–	148,269	11,094	328	–	–	159,691	15.7%	–
		1,300,495	275,000	15,681	1,591,176	76,219	10,119	–	80,000	1,757,514		

Table 2 Remuneration details 1 July 2009 to 30 June 2010

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2010 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Other long term	Equity based payment				
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Performance Rights $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e) (vi) Value of performance rights as proportion of remuneration $
P H Warne	Non-executive Director	137,615	–	–	137,615	12,385	–	–	–	150,000	–	–
J P Henderson	Non-executive Director	85,000	–	–	85,000	–	–	–	–	85,000	–	–
H I Wright	Non-executive Director	77,982	–	–	77,982	7,018	–	–	–	85,000	–	–
B R Howell	Company Secretary	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A F O Wilkinson	Executive Director	321,789	100,000	–	421,789	14,461	2,021	–	80,000	518,271	34.7%	15.4%
J T McNally	Executive Director	90,000	–	–	90,000	–	–	–	–	90,000	–	–
A J Slade	Capital Manager	172,274	60,000	–	232,274	14,461	–	–	50,000	296,735	37.1%	16.9%
M J Clarke	Finance Manager	136,525	45,000	9,280	190,805	12,554	–	–	–	203,359	22.1%	–
		1,111,185	205,000	9,280	1,325,465	60,879	2,021	–	130,000	1,518,365		

10 STAPLED SECURITIES UNDER OPTION
No performance rights over unissued stapled securities of ALE were granted during or since the end of the year.

11 STAPLED SECURITIES ISSUED ON THE EXERCISE OF OPTIONS
The following stapled securities were issued on the exercise of performance rights during the financial year.

Executive	Number of Stapled Securities Issued
A F O Wilkinson	–
A J Slade	12,248

12 INSURANCE OF OFFICERS
During the financial year, the Company paid a premium of $37,350 (2010: $37,750) 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
While 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 various licence A108 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 further minor remedial work is required, however, the Company is indemnified by third parties against any remediation costs likely to be required.

·DIRECTORS' REPORT·

For the year ended 30 June 2011

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; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

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

	30 June 2011 $	30 June 2010 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the ALE Property Group and other audit work required under the *Corporations Act 2001*		
• in relation to current year	164,500	167,172
• in relation to prior year	37,500	30,000
Total remuneration for audit services	**202,000**	197,172
Other services		
KPMG Australian firm:		
Transaction compliance services	–	150,983
Total other services	**–**	150,983

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 73.

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

PETER H WARNE
DIRECTOR
Sydney

Dated this 2nd day of August 2011

· AUDITOR'S INDEPENDENCE DECLARATION ·

Lead Auditor's Independence Declaration under Section 307C of *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 of the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements of 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

N VIRGO
PARTNER

Sydney
2 August 2011

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
Revenue			
Expense reimbursement	5	3,501,676	3,034,011
Interest income		23,425	13,607
Total revenue		**3,525,101**	3,047,618
Annual Report and Annual Review		56,463	73,306
Audit, accounting, tax and professional fees		258,845	253,822
Corporate advisory services		101,584	97,262
Depreciation expense and asset write-offs		29,919	45,756
Insurance		114,825	97,319
Legal fees		244,200	(272,404)
Occupancy costs		132,187	122,001
Other expenses		310,981	239,763
Registry fees		94,409	124,954
Salaries, fees and related costs		2,084,662	1,680,565
Staff training		36,953	33,463
Travel and accommodation		36,648	43,204
Total expenses		**3,501,676**	2,539,011
Profit/(loss) before income tax		**23,425**	508,607
Income tax expense/(benefit)	7	31,027	187,184
Profit/(loss) after income tax		**(7,602)**	321,423
Profit/(loss) attributable to the shareholders of the Company		**(7,602)**	321,423
Other comprehensive income		–	–
Other comprehensive income for the period after income tax		–	–
Total comprehensive income for the period		**(7,602)**	321,423
Profit/(loss) attributable to:			
Equity holders of the Company		(7,602)	321,423
Minority interest		–	–
Total profit/(loss) for the period		**(7,602)**	321,423
Comprehensive income attributable to:			
Equity holders of the Company		(7,602)	321,423
Minority interest		–	–
Total comprehensive income for the period		**(7,602)**	321,423
		Cents	Cents
Basic and diluted earnings/(loss) per share		(0.00)	0.23
Dividends paid and payable per share		–	–

The above statement of comprehensive income should be read in conjunction with the accompanying Notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**30 June 2011 $**	30 June 2010 $
Current assets			
Cash and cash equivalents	8	295,231	273,462
Receivables	9	2,673,271	1,521,074
Prepayments and other assets		152,475	837,805
Total current assets		**3,120,977**	2,632,341
Non-current assets			
Plant and equipment		73,910	40,379
Investment in related party	10	9,080,010	9,080,010
Deferred tax asset	11	162,887	193,914
Total non-current assets		**9,316,807**	9,314,303
Total assets		**12,437,784**	11,946,644
Current liabilities			
Payables	12	850,553	698,019
Provisions	13	43,725	9,146
Total current liabilities		**894,278**	707,165
Total liabilities		**894,278**	707,165
Net assets		**11,543,506**	11,239,479
Equity			
Contributed equity	14	12,118,181	11,862,301
Retained losses	15	(808,008)	(806,155)
Reserves	16	233,333	183,333
Total equity		**11,543,506**	11,239,479

	Cents	Cents
Net assets per share	**7.31**	7.33

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

·STATEMENT OF CHANGES IN EQUITY·

For the year ended 30 June 2011

	Share Capital $	Share based payments reserve $	Retained Earning $	Total $
2011				
Total equity at the beginning of the year	**11,862,301**	**183,333**	**(806,155)**	**11,239,479**
Total comprehensive income for the period				
Profit/(loss) for the year	–	–	(7,602)	(7,602)
Other comprehensive income	–	–		
Total comprehensive income for the year	–	–	(7,602)	(7,602)
Issue of units in ALE Property Trust under ALE Property Group				
Executive Performance Rights Plan	708	(30,000)	5,749	(23,543)
Shares issued – dividend reinvestment plan	255,172	–	–	255,172
Employee share based payments expense	–	80,000	–	80,000
Total equity at the end of the year	**12,118,181**	**233,333**	**(808,008)**	**11,543,506**
2010				
Total equity at the beginning of the year	8,813,743	83,333	(1,132,630)	7,764,446
Total comprehensive income for the period				
Profit/(loss) for the year	–	–	321,423	321,423
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	321,423	321,423
Issue of units in ALE Property Trust under ALE Property Group				
Executive Performance Rights Plan	723	(30,000)	5,052	(24,225)
Shares issued – institutional placement	602,766	–	–	602,766
Shares issued – rights issue	2,310,617	–	–	2,310,617
Shares issued – dividend reinvestment plan	134,452	–	–	134,452
Employee share based payments expense	–	130,000	–	130,000
Total equity at the end of the year	11,862,301	183,333	(806,155)	11,239,479

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

CASH FLOW STATEMENT

For the year ended 30 June 2011

	Note	**30 June 2011 $**	30 June 2010 $
Cash flows from operating activities			
Management fee received and expense reimbursements		4,269,110	7,324,240
Payments to suppliers and employees		(4,201,961)	(7,276,416)
Interest received – bank deposits and investment arrangements		18,069	12,652
Net cash inflow/(outflow) from operating activities	8	**85,218**	60,476
Cash flows from investing activities			
Payments for plant and equipment		(63,449)	–
Net cash (outflow) from investing activities		**(63,449)**	–
Cash flows from financing activities			
Loan from related party		–	(3,072,060)
Shares issued		–	3,047,835
Net cash (outflow) from financing activities		**–**	(24,225)
Net increase/(decrease) in cash and cash equivalents held		**21,769**	36,251
Cash and cash equivalents at the beginning of the year		273,462	237,211
Cash and cash equivalents at the end of the year	8	**295,231**	273,462

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

· NOTES TO THE FINANCIAL STATEMENTS ·

For the year ended 30 June 2011

NOTE 1 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are general purpose financial statements which have 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 statements also comply with the IFRS and interpretations adopted by the International Accounting Standards Board.

The stapled securities of ALE are quoted on the Australian Stock Exchange under the code LEP and comprise one unit in Australian Leisure and Entertainment Property 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.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

The methods used to measure fair values are discussed further in Note 3.

(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.

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 20 – measurement of share based payments

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.

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2010.

(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 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 Statement of Comprehensive Income.

(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 the carrying amount. These are included in the Statement of Comprehensive Income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 share
(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 performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable 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 performance right.

The fair value of the performance rights 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 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 options, 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
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. 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 superannuation 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.

· NOTES TO THE FINANCIAL STATEMENTS ·

For the year ended 30 June 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Expenses

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

(n) Income tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to 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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

(q) Segment reporting

An operating segment is a component of ALE that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of ALE's other entities. All operating segments' operating results are regularly reviewed by ALE's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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.

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 its 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 its training and management standards and procedures, has developed 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 assist 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

	30 June 2011 $	30 June 2010 $
NOTE 5 EXPENSE REIMBURSEMENTS		
Reimbursement of expenses for managing the Head Trust and controlled entities	**3,501,676**	3,034,011

Fees are charged to the Trust and its controlled entities by the Company for reimbursement of expenses incurred in the management of the trust and responsible entity services.

Expense reimbursement receipts of $4,269,110 (2010: $7,324,240) 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.

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

	Note	30 June 2011 $	30 June 2010 $
NOTE 6 AUDITORS' REMUNERATION			
Audit services			
KPMG Australian firm:			
Audit and review of the financial reports of the ALE Property Group and other audit work under the *Corporations Act 2001*			
– in relation to current year		164,500	167,172
– in relation to prior year		37,500	30,000
Total remuneration for audit services		**202,000**	197,172
NOTE 7 INCOME TAX EXPENSE/(BENEFIT)			
Current tax expense/(benefit)		–	1,138
Deferred tax (benefit)		31,027	186,046
Income tax expense		**31,027**	187,184
Decrease/(increase) in deferred tax asset		31,027	186,046
		31,027	186,046
Reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense		23,425	508,607
Tax at the Australian tax rate of 30%		7,027	152,582
Tax effect of amounts which are deductible (taxable) in calculating taxable income:			
Share based payments		24,000	39,000
Under provision in prior years		–	(4,398)
Income tax expense/(benefit)		**31,027**	187,184
NOTE 8 CASH AND CASH EQUIVALENTS			
Cash at bank	(a)	110,767	205,029
Deposits at call	(b)	184,464	68,433
		295,231	273,462

(a) As at 30 June 2011 the weighted average interest rate earned on cash was 5.03% (2010: 3.50%).

(b) The deposits represent office occupancy security deposits.

	30 June 2011 $	30 June 2010 $
Reconciliation of profit after income tax to net cash inflows from operating activities		
Profit/(loss) for the year	(7,602)	321,423
Depreciation	29,918	44,828
Non-cash employee benefits expense – share based payments	80,000	130,000
(Increase)/decrease in receivables	(95,576)	624,855
(Increase)/decrease in other assets	685,330	(781,942)
(Increase)/decrease in deferred tax asset	31,027	186,046
Increase/(decrease) in loan from related party	(774,992)	(135,077)
Increase/(decrease) in provisions	34,579	(12,240)
Increase/(decrease) in payables	102,534	(318,599)
Increase/(decrease) in current tax liability	–	1,182
Net cash inflows from operating activities	**85,218**	60,476

	30 June 2011 $	30 June 2010 $
NOTE 9 RECEIVABLES		
Accounts receivable	232,295	140,429
Loan to related party	2,437,215	1,380,594
Interest receivable	3,761	51
	2,673,271	1,521,074
NOTE 10 INVESTMENT IN RELATED PARTY		
Trust Non-Income Voting Units (NIVUS)	**9,080,010**	9,080,010

The Company was issued 9,080,010 of non-income voting units (NIVUS) in the Trust 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 5.42% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company but are not disclosed in the ALE Property Group financial statements as they are eliminated on consolidation.

	30 June 2011 $	30 June 2010 $
NOTE 11 DEFERRED TAX ASSET		
Deferred tax assets	**162,887**	193,914
The balance comprises temporary differences attributable to:		
Amounts recognised in statement of comprehensive income		
Employee benefits	13,118	2,744
Acquisition proposal due diligence	5,439	11,414
Other accruals	125,100	120,465
Other	1,872	2,590
Tax losses	17,358	56,701
Net deferred tax assets	**162,887**	193,914
Movements:		
Opening balance	193,914	379,960
Credited/(charged) to the statement of comprehensive income (Note 7)	(31,027)	(186,046)
Closing balance at	**162,887**	193,914
Deferred tax assets to be recovered within 12 months	147,491	137,213
Deferred tax assets to be recovered after more than 12 months	15,396	56,701
	162,887	193,914
NOTE 12 PAYABLES		
Trade creditors	279,365	341,051
Creditor accruals	571,188	356,968
	850,553	698,019
NOTE 13 PROVISIONS		
Provision for employee entitlements	43,725	9,146
	43,725	9,146

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

	30 June 2011 $	30 June 2010 $
NOTE 14 CONTRIBUTED EQUITY		
(a) Share capital		
Issued share capital	**12,118,176**	11,862,301
(b) Movements in ordinary share capital		
Opening balance	11,862,301	8,813,743
Shares issued – ALE Executive Performance Rights Plan	708	723
Shares issued – Dividend Reinvestment Plan	255,172	134,452
Shares issued – institutional placement	–	602,766
Shares issued – rights issue	–	2,310,617
Balance at the end of the period	**12,118,181**	11,862,301

	No. of shares	No. of shares
Shares on issue		
Opening balance	153,354,571	87,692,019
Shares issued – ALE Executive Performance Rights Plan	12,248	11,088
Shares issued – Dividend Reinvestment Plan	4,624,157	2,074,471
Shares issued – institutional placement	–	13,153,803
Shares issued – rights issue	–	50,423,190
Closing balance	**157,990,976**	153,354,571

(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.

During the previous financial year the ALE Property Group undertook an Institutional Placement of stapled securities of 15% of the issued stapled securities. These stapled securities were issued at $2.25 each. In addition a 1 for 2 rights issue was conducted, with the stapled securities issued at $1.50 per security. The share capital increase for the Company represents the Company's share of the proceeds from the new stapled securities issued.

	30 June 2011 $	30 June 2010 $
NOTE 15 RETAINED LOSSES		
Balance at the beginning of the year	(806,155)	(1,132,630)
Net profit/(loss) attributable to ordinary shareholders	(7,602)	321,423
Transfer from share based payments reserve	5,749	5,052
Balance at the end of the year	**(808,008)**	(806,155)
NOTE 16 RESERVES		
Share-based payments reserve	**233,333**	183,333
Balance at the beginning of the year	183,333	83,333
Employee share based payments expense	80,000	130,000
Transfer to Retained Profits on lapsing of performance rights	(5,749)	(5,052)
Vesting of performance rights	(24,251)	(24,948)
Balance at the end of the year	**233,333**	183,333

NOTE 17 SEGMENT INFORMATION

Business segment

ALE has one reportable segment, as described below, which is ALE's strategic business unit. The strategic business unit is based upon internal management reports that are reviewed by the Managing Director on at least a quarterly basis. The strategic business unit covers the operations of the responsible entity for the ALE Property Group.

Comparative information has been presented in conformity with the requirements of AASB 8 *Operating Segments*.

The Company received 100% of its expense reimbursement from the Head Trust.

Geographical segment

The Company operates solely within Australia.

NOTE 18 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 19 CONTINGENT LIABILITIES

Bank guarantee

The Company has entered into a bank guarantee of $184,464 in respect of an office tenancy at Level 10, 6 O'Connell Street, Sydney.

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

NOTE 20 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 at nil cost to the employee. Under the Performance Rights Plan grants of performance rights have been made to Mr Wilkinson and Mr Slade. In accordance with the plan the performance rights vest upon performance hurdles being achieved.

The terms and conditions of the remaining grants are as follows:

Employee entitled	Grant date	Number of PRs	Vesting conditions	Contractual life of PRs
Mr A F O Wilkinson	1 June 2009	160,026	1. Service period 2. Absolute Total Securityholder Return 3. Total Shareholder Return compared to comparative group	1 June 2011
Mr A J Slade	1 July 2008 1 July 2009	12,774 39,669	1. Service period 2. Absolute Total Securityholder Return 3. Total Shareholder Return compared to comparative group	30 June 2011 30 June 2012

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

·NOTES TO THE FINANCIAL STATEMENTS·

For the year ended 30 June 2011

NOTE 20 SHARE BASED PAYMENTS (CONTINUED)

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

	Number of performance rights 2011	**Weighted average fair value 2011**	Number of performance rights 2010	Weighted average fair value 2010
Outstanding at 1 July	237,335	1.11	41,013	1.88
Granted during period	–	–	210,583	0.98
Vested during year*	(12,248)	1.98	(11,088)	1.97
Lapsed during year	(3,817)	1.98	(3,173)	1.97
Outstanding at 30 June	**221,270**	**1.05**	237,335	1.11

* During the year 8,801 performance rights vested to Mr Slade, under the condition of the grant these will not be issued to Mr Slade until 30 June 2012.

The performance rights outstanding at 30 June 2011 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-tradeable 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 21 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 new office premises at Level 10, 6 O'Connell Street, Sydney starting November 2010. The Company has also entered into a non-cancellable operating lease for office equipment. The minimum net lease commitments under these leases are:

	30 June 2011 $	30 June 2010 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	107,543	88,005
Later than one year but not later than five years	265,977	253,109
Later than five years	–	22,405
	373,520	363,519

NOTE 22 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 23.

(c) Transaction with related parties

For the year ended 30 June 2011 the Company had charged the Trust $3,501,676 in expense reimbursement (2010: $3,034,011).

Peter Warne is also a director of Next Financial Limited (Next Financial) which acts as an Investment Manager. At 30 June 2011, Next Financial held on behalf of its clients (other than Peter Warne) 2,537,389 (2010: 3,396,558) 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 in the ALE Property Group held by Next Financial for its clients. Procedures have been put into place to ensure Peter Warne's independence and confidentiality of information are maintained.

Peter Warne is a non-executive 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 and 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 23 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	Capital Manager
B R Howell	Company Secretary and Compliance Officer
M J Clarke	Finance Manager and Assistant Company Secretary
D J Shipway	Asset Manager

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 23 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Compensation for key management personnel

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

	30 June 2011 $	30 June 2010 $
Short term employee benefits	1,591,176	1,325,465
Post employment benefits	76,219	60,879
Other long term benefits	10,119	2,021
Share based payments	80,000	130,000
Total	**1,757,514**	1,518,365
Share based payments expense in the year		
Performance rights granted in 2009	80,000	80,000
Performance rights granted in 2010	–	50,000
Performance rights granted in 2011	–	–
Total	**80,000**	130,000

	30 June 2011 cents	30 June 2010 cents
NOTE 24 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	(0.00)	0.23
Attributable to securityholders of the stapled entity		
Basic and diluted earnings per stapled security before financing costs attributable to the Company securityholders divided by the average number of securities	(0.00)	0.23
Basic and diluted earnings per stapled security using realised operating income	(0.00)	0.23

	Number 2011	Number 2010
(b) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating earnings per share	156,564,420	141,837,573
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	156,564,420	141,837,573

NOTE 25 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 has been minimised primarily by ensuring, on a continuous basis, 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.

Exposure to credit risk

	2011 $	2010 $
Receivables	236,056	140,480
Cash and cash equivalents	295,231	273,462
	531,287	413,942

Impairment losses

	2011		2010	
	Gross Receivables $	**Impairment $**	Gross Receivables $	Impairment $
Not past due	76,015	–	129,844	–
Past due 0–30 days	68,791	–	–	–
Past due 31–120 days	–	–	10,636	–
Past due 120–365 days	91,250	–	–	–
More than one year	–	–	–	–
	236,056	**–**	140,480	**–**

(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.

DIRECTORS' DECLARATION

For the year ended 30 June 2011

In the Directors' opinion:

(a) the financial statements and notes that are set out on pages 74 to 89 and the remuneration report contained in Section 9 of the Directors' report, are 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 2011 and of its performance for the financial year ended on that date; and

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

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

(c) The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2011.

(d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

PETER H WARNE
DIRECTOR
Sydney

Dated this 2nd day of August 2011

INDEPENDENT AUDITOR’S REPORT

To the shareholders

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 statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration.

Directors’ responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair 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*.

· INDEPENDENT AUDITOR'S REPORT ·

To the shareholders

KPMG

Auditor's opinion

In our 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 Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in Section 9 on pages 62 to 70 of the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel Virgo
Partner

2 August 2011

INVESTOR INFORMATION

STOCK EXCHANGE LISTING

The ALE Property Group (ALE) is listed on the Australian Stock Exchange (ASX). Its stapled securities are listed under ASX code: LEP, its ALE Notes are listed under ASX code: LEPHB and ALE Notes 2 are listed under ASX code: LEPHC.

DISTRIBUTION REINVESTMENT PLAN

ALE has established a distribution reinvestment plan. Details of the plan are available on the ALE website.

ELECTRONIC PAYMENT OF DISTRIBUTIONS

Securityholders 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.

Securityholders wishing to take advantage of payment by direct credit should contact the registry for more details and to obtain an application form.

WEBSITE

The ALE website, www.alegroup.com.au, is a useful source of information for stapled securityholders. It includes details of ALE's property portfolio, current activities and future prospects. ASX announcements are also included on the site on a regular basis.

ANNUAL TAX STATEMENT

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

DISTRIBUTIONS

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

SECURITYHOLDER ENQUIRIES

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

INVESTOR INFORMATION

MAJOR AUSTRALIAN SECURITIES EXCHANGE (ASX) ANNOUNCEMENTS

2011

8 NOVEMBER ANNUAL GENERAL MEETING
2 AUGUST FULL YEAR RESULTS RELEASED
1 JULY PROPERTY VALUATIONS INCREASED
22 JUNE FULL YEAR DISTRIBUTION OF 19.75 CENTS DECLARED
21 APRIL COMPLETION OF SECURED REFINANCING
28 FEBRUARY HALF YEAR DISTRIBUTION PAYMENT DATE
16 FEBRUARY HALF YEAR RESULTS RELEASED
15 FEBRUARY ORBIS INCREASES SUBSTANTIAL HOLDING
11 JANUARY CALEDONIA REDUCES SUBSTANTIAL HOLDING

2010

3 DECEMBER COLONIAL CEASES SUBSTANTIAL HOLDING
10 NOVEMBER ANNUAL GENERAL MEETING
3 NOVEMBER CPI BASED RENTAL INCREASE
23 SEPTEMBER CHANGE OF REGISTERED OFFICE ADDRESS
22 SEPTEMBER APPOINTMENT OF ASSET MANAGER
17 AUGUST FULL YEAR RESULTS RELEASED

For emailed updates, visit the ALE website and join 'Email Alerts' at www.alegroup.com.au

PUBLICATIONS

The Annual Review and Annual Report are the main sources of information for stapled securityholders. 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 securityholders unless we are requested not to do so. The Full Year and Half-Year Financial Reports are 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 stapled securityholders by registering on ALE's website. The election by stapled securityholders to receive communications electronically is encouraged by ALE.

CORPORATE DIRECTORY

REGISTERED OFFICE

Level 10,
6 O'Connell Street
Sydney NSW 2000
Telephone (02) 8231 8588

COMPANY SECRETARY

Mr Brendan Howell
Level 10,
6 O'Connell Street
Sydney NSW 2000
Telephone (02) 8231 8588

AUDITORS

KPMG
10 Shelley Street
Sydney NSW 2000

LAWYERS

Allens Arthur Robinson
Level 28,
Deutsche Bank Place
Sydney NSW 2000

CUSTODIAN (OF AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST)

The Trust Company Limited
Level 15, 20 Bond Street
Sydney NSW 2000

TRUSTEE (OF ALE DIRECT PROPERTY TRUST)

The Trust Company
(Australia) Limited
Level 15, 20 Bond Street
Sydney NSW 2000

REGISTRY

Computershare Investor
Services Pty Ltd
Reply Paid GPO Box 7115
Sydney NSW 2000
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone 1300 302 429
Facsimile (02) 8235 8150
www.computershare.com.au

Designed and produced by Ross Barr & Associates

ESTABLISHED 1861
YOUNG AND JACKSON
CHLOE'S
EXETER HOTEL
THE POPULAR
BEER
ALE
ALE PROPERTY GROUP
Racehorse Hotel
ENTERTAINMENT
BISTRO
SPORTS BAR