



ALE PROPERTY GROUP



Annual Report 2014

Delivering Value

ALE has finished the year to June 2014 with a number of positive achievements. The properties have again increased in value, a refinancing has been successfully completed and we were pleased to mark our 10th anniversary by receiving the award 'AREIT of the Year'.

FOUR YEARS FROM NOW

Around four years until ALE's first major market rent review

2014

2015

2016

2017

2018 MARKET REVIEW

Rents are reviewed to market and may increase or decrease by 10% from 2017 rent levels for 79 of 86 of the properties

2018

2019

2020

2021

2022

2023

2024

2025

2026

2028 MARKET REVIEW

Rents are reviewed to market and may increase or decrease by an unlimited amount for each of the properties

2027

2028

BEYOND 2028

Open market rent reviews occur on expiry dates in 2038, 2048 and 2058 with the leases finally expiring 2068



ALE Property Group

Comprising Australian Leisure and Entertainment
Property Trust and its controlled entities
Report For the Year ended 30 June 2014

ABN 92 648 441 429

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<p style="text-align: center;">Contents ANNUAL REPORT 2014</p> <p style="text-align: center;">ALE Property Group (ASX: LEP)</p> <p>ALE Property Group is Australia's largest listed freehold owner of pubs. Established in November 2003. ALE owns a property portfolio of 86 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of Australian Leisure and Hospitality Group Limited (ALH) for a remaining initial lease term of 14 years.</p> <p style="text-align: center;">WWW.ALEGROUP.COM.AU</p>

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Australian Leisure
and Entertainment
Property Management
Limited
Annual Report 2014

DIRECTORS' REPORT

For the Year ended 30 June 2014

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 2014.

1. DIRECTORS

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

<u>Name</u>	<u>Type</u>	<u>Appointed</u>
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
P J Downes	Independent non-executive	26 November 2013
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:

- new debt funding of \$335 million was raised successfully, through an Australian Medium Term Note (AMTN) issue;
- the existing CMBS debt was repaid in June 2014 and a partial on-market buy back of the listed ALE Notes 2 of \$62.4 million was undertaken in June 2014. The remaining ALE Notes 2 are expected to be redeemed on 20 August 2014;
- the previous interest rate hedging was unwound and restructured in line with the new fixed rate debt structure;
- the 86 individual property values increased an average of 5.14% to \$821.68 million; and
- Net Assets increased by 2.42% to \$377.29 million and net borrowings (total borrowings less cash) as a percentage of assets (total assets less cash and derivatives) increased slightly from 50.9% to 51.7%.

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 over the medium term, ALE expects to receive annual increases in rental income in line with increases in the consumer price index until the first major market rent review in November 2018.

Apart from the above matters, the directors are not aware of any other future development likely to significantly affect the operations and/or results of ALE.

DIRECTORS' REPORT

For the Year ended 30 June 2014

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 2014 cents per security	30 June 2013 cents per security	30 June 2014 \$'000	30 June 2013 \$'000
Final Trust income distribution for the year ending 30 June 2014 to be paid on 5 September 2014	8.25	8.00	16,145	15,539
Interim Trust income distribution for the year ending 30 June 2014 paid on 5 March 2014	8.20	8.00	16,048	15,486
Total distribution for the year ending 30 June 2014	16.45	16.00	32,193	31,025

No provisions for or payments of Company dividends have been made during the year (2013: 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 affairs of ALE in future financial years.

7. OPERATIONAL AND FINANCIAL REVIEW

Background

ALE Property Group is Australia's largest listed freehold owner of pub properties. Established in November 2003, ALE owns a property portfolio of 86 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of the Australian Leisure and Hospitality Group (ALH) for an average remaining initial lease term of 14.3 years plus options for ALH to extend.

ALE's high quality freehold pubs have very long term leases that include a number of unique features that add to the security of net income and opportunity for rental growth. Some of the significant features of the leases (for 83 of the 86 properties) are as follows:

- Leases commenced in November 2003 with an initial term of 25 years and four options of 10 years for ALH to extend;
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland (3 of the 86 properties are double net);
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI;
- There is a market rent review in November 2018 that is capped and collared within 10% of the 2017 rent; and
- There is a full open market rent review (no cap and collar) in November 2028 at which time ALH has four options of 10 years to extend the leases.

Current year performance

ALE produced a profit after tax of \$37.2 million for the year ended 30 June 2014 compared to a profit of \$14.9 million for the year ended 30 June 2013. The increase is primarily due to an increase in the fair value increment to the properties. Other factors include:

- Rental income increased by 2.0% following the annual rent review in November 2013;
- Interest income was lower on the back of decreasing interest rates and lower cash balances;
- Finance costs were higher due to costs associated with the early redemption of the CMBS, partial early redemption of the ALE Notes 2 and restructure of hedging arrangement; and
- Management costs increased but ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

ALE has a policy of only paying distributions subject to the minimum requirement to distribute taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. It is also equivalent to Funds from Operations (FFO).

ALE Property Group

DIRECTORS' REPORT

For the Year ended 30 June 2014

During the financial year ALE produced a distributable profit of \$31.2 million compared to \$31.7 million in the previous financial year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was impacted by the same cash items that affected Operating Profit, namely increased rent and finance costs.

	30 June 2014 \$'000	30 June 2013 \$'000
Profit/(loss) after income tax for the year	37,194	14,909
Adjustment for non-cash items		
Fair value decrements /(increments) to derivatives and investment properties	(18,977)	10,350
Loss/(Gain) on disposal of investment properties	42	(490)
Employee share based payments	272	166
Finance costs - non-cash	7,701	6,208
Income tax expense	5,000	572
Total adjustments for non-cash items	(5,962)	16,806
Total profit available for distribution	31,232	31,715
Distribution paid or provided for	32,193	31,025
Available and under/(over) distributed for the year	(961)	690
<u>Reconciliation of accumulated undistributed income</u>		
Opening balance	11,405	10,715
Available and undistributed/(over distributed) for the year	(961)	690
Closing balance	10,444	11,405

	Percentage Increase / (Decrease)	30 June 2014 Cents	30 June 2013 Cents
Earnings and distribution per stapled security:			
Basic and diluted earnings	131.79%	19.03	8.21
Earnings available for distribution	(2.21%)	15.96	16.32
Total distribution	2.81%	16.45	16.00
Accumulated undistributed income at the end of the year		5.34	5.87

Financial position

ALE's net assets increased by 2.42%, compared with the previous year which was largely attributable to an increase in property values during the year.

Investment property revaluations increased the continuing portfolio value by 5.14% from \$781.5 million to \$821.7 million (after the sale of the Shepparton Hotel) during the year. The average capitalisation rates decreased from 6.59% to 6.42% with the increase in property valuations coming from the November 2013 CPI rent increase and lower capitalisation rates across the portfolio.

Net assets per stapled security increased by 1.58% from \$1.90 to \$1.93 compared to June 2013 primarily as a result of the increase in property values and reduction due to terminated derivatives.

ALE's market capitalisation increased by around 11% to more than \$570 million during the year.

DIRECTORS' REPORT

For the Year ended 30 June 2014

ALE's funding structure continues to be characterised by diverse sources of funding instruments with maturity dates averaging 6.5 years. In June 2014 ALE successfully raised \$335 million in debt through an AMTN issue. The AMTN issue contained two tranches, one of \$110 million with a term of 3.25 years and fixed interest rate of 4.25% p.a. and a second of \$225 million with a term of 6.25 years and a fixed interest rate of 5.00% p.a. The debt was issued with an investment grade rating of Baa2 and was the largest AMTN issue by an AREIT since 2011. The issue was significantly over subscribed and scaled to deliver a very competitive issue margin outcome for the benefit of ALE securityholders.

The ALE Notes 2 are scheduled to mature in August 2014. Following the AMTN issue, ALE has advised noteholders that redemption of the ALE Notes 2 is expected to occur on 20 August 2014. Currently \$102.6 million of notes remain on issue and are expected to be repaid using part of existing cash reserves of approximately \$150 million. Following this, ALE's next scheduled maturity date is August 2017.

At 30 June 2014, net covenant gearing was up from 50.9% to 51.7%. ALE continues to maintain appropriate headroom to all debt covenants with the nearest equivalent to an average 14.4% fall in property values.

ALE has consistently sought to protect investors from inflation and interest rate risk and continues to have long term hedging in place to achieve this objective. At the time of the issue of fixed rate AMTN debt ALE terminated existing interest rate hedging arrangements that were no longer required.

In the previous year ALE entered into a ten year interest rate hedge which was set at a low 3.83% p.a., being a level not available since 1908 when the long term bond market was first established in Australia. The fixed rate AMTN debt raised in June 2014 saw ALE enter into fixed rate debt with 3.25 and 6.25 year maturities and accordingly the previously arranged interest rate hedge for the next three and six years was terminated. The debt raising and hedging restructure ensures that ALE remains hedged for its base interest rates on 100% of its net debt for an average of 8.8 years.

Business strategies and prospects

ALE has continued to preserve the quality of the existing property portfolio. The refinanced debt and restructured hedging position provides significant certainty around a stable distribution profile for the medium term.

ALE's objective is to continue to grow distributions by at least CPI.

ALE continues to hold a positive outlook for the market rent prospects for the portfolio. In around four years time the first major review will occur with the market rent capped and collared within 10% of the 2017 rent for each property. It is notable that all the independent valuers DCF valuation of ALE properties at June 2013 and June 2014 assumed a 10% increase for this review. There is also a full open market rent review (no caps or collars) in November 2028.

ALE will continue to seek acquisition opportunities that are of a high quality, meet all specified criteria and represent an accretive value opportunity for securityholders. Even if these opportunities are not available, ALE will continue to work constructively with ALH to ensure that the existing portfolio of properties continues to perform at the strong profitability levels that currently prevail.

8. INFORMATION ON DIRECTORS

Mr Peter Warne B.A, FAICD, 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 Chairman of OzForex Group Limited and a board member of three other listed entities, being ASX Limited, Macquarie Group Limited and Crowe Horwath Australasia Limited. He is also on the board of NSW Treasury Corporation and Securities Industry Research Centre for Asia Pacific (SIRCA) and is a member of the Advisory Board for the Australian Office of Financial Management.

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.

DIRECTORS' REPORT

For the Year ended 30 June 2014

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

Experience and expertise

John was appointed as a non-executive director of the Company in August 2003. John has been a director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property.

Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities. John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

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

Experience and expertise

Helen was appointed as a non-executive director of the Company in September 2003. Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in real estate projects, including development and financing and related taxation and stamp duties.

Helen is the Chair of the Advisory Committee of Screen NSW (formerly Film & Television Office), and is the Statutory and Other Offices Remuneration Tribunal and until very recently was the Local Government Remuneration Tribunal for NSW. Prior appointments include the Boards of several State, university, commercial and charitable entities. 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.

Ms Phillipa Downes, BSc (Bus Ad), MAppFin, GAICD, Non-executive Director.

Experience and expertise

Pippa was appointed a Director on 26 November 2013.

Ms Downes is a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. She is also a director of the Pinnacle Foundation. Ms Downes was a Managing Director and Equity Partner of Goldman Sachs in Australia until October 2011, working in the Proprietary Investment division. Ms Downes has had a successful international banking and finance career spanning over 19 years where she has led the local derivative and trading arms of several of the world's leading Investment Banks. She has extensive experience in Capital Markets, derivatives and asset management.

Prior to joining Goldman Sachs in 2004, Ms Downes was a director and the Head of Equity Derivatives Trading at Deutsche Bank in Sydney. When Morgan Stanley was starting its equity franchise in Australia in 1998 she was hired as the Head of the Equity Derivative and Proprietary Trading business based in Hong Kong and Australia. Ms Downes started her career working for Swiss Bank O'Connor on the Floor of the Pacific Coast Stock Exchange in San Francisco, followed by the Philadelphia Stock Exchange before returning to work in Sydney as a director for UBS.

Pippa graduated from the University of California at Berkeley with a Bachelor of Science in Business Administration majoring in Finance and Accounting. Pippa also completed a Masters of Applied Finance from Macquarie University in 1998.

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 around 35 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 and founding director of the company in June 2003. James has over 20 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 and a Diploma of Law. James is also a registered valuer and licensed real estate agent.

DIRECTORS' REPORT

For the Year ended 30 June 2014

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. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia.

Brendan has over 23 years' experience in the funds management and financial services industries. 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 14 years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Brendan is a member of the Australian Institute of Company Directors.

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 the Chair of the Australian Trade Commission Audit and Risk Committee and is an audit committee member of the Australian Office of Financial Management, the Defence Materiel Organisation, the Australian Sports Anti-Doping Authority, the National Mental Health Commission, the Australian Maritime Safety Authority and National ICT Australia. David is a director of Australian Settlements Limited and chairman of its audit and risk committee. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and 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	Crowe Horwath Australasia Limited	Non-executive	May 2007	
P H Warne	OzForex Group Limited	Chairman	October 2013	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	

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
P J Downes	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee

DIRECTORS' REPORT

For the Year ended 30 June 2014

Director	Special responsibilities
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 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 the end of the year
P H Warne	Non-executive Director	1,185,000	-	1,185,000
J P Henderson	Non-executive Director	176,365	-	176,365
H I Wright	Non-executive Director	150,000	-	150,000
P J Downes	Non-executive Director	-	213,394	213,394
A F O Wilkinson	Executive Director	168,468	45,200	213,668
J T McNally	Executive Director	-	55,164	55,164
A J Slade	Capital Manager	27,900	3,518	31,418
M J Clarke	Finance Manager	9,121	2,606	11,727
D J Shipway	Asset Manager	-	4,000	4,000

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed / Issued during the year	Number held at the end of the year
Performance Rights					
A F O Wilkinson	Executive Director	45,200	-	(45,200)	-
A J Slade	Capital Manager	11,790	-	(3,518)	8,272
ESSS Rights					
A F O Wilkinson	Executive Director	43,136	34,878	-	78,014
A J Slade	Capital Manager	58,182	19,092	-	77,274
M J Clarke	Finance Manager	-	8,825	-	8,825
D J Shipway	Asset Manager	-	8,825	-	8,825

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2014 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board		ACRMC		Nominations and Remuneration Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
P H Warne	12	12	7	7	6	6
J P Henderson	12	11	7	7	6	6
H I Wright	12	11	7	7	6	6
P J Downes	9	9	4	4	4	4
A F O Wilkinson	12	12	n/a	n/a	n/a	n/a
J T McNally	12	12	n/a	n/a	n/a	n/a

Member of Audit, Compliance and Risk Management Committee

D J Lawler	n/a	n/a	7	7	n/a	n/a
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¹ "Held" reflects the number of meetings which the director or member was eligible to attend.

DIRECTORS REPORT

For the Year ended 30 June 2014

9 Remuneration Report (Audited)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2014 for employees of ALE including the directors, the Managing Director and key management personnel.

9.1 Remuneration Objectives and Approach

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

- attracts, rewards and retains high calibre executives;
- motivates executives to achieve performance that creates value for stapled securityholders; and
- links remuneration to performance and outcomes achieved.

The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled securityholders. To do this the Board endeavours to ensure 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 remuneration. Since the year ending 30 June 2012 the variable remuneration has been provided through the Executive Incentive Scheme (EIS). Any award under the EIS is paid 50% in cash at the year end and 50% in stapled securities with delivery deferred three years. The previous long term incentive arrangements (performance rights) have been discontinued.

9.2 Remuneration and Nominations Committee

The Remuneration and Nominations 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 management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2014, the Committee consisted of the following:

P H Warne (Chairman)	Non-executive Director
J P Henderson	Non-executive Director
H I Wright	Non-executive Director
P J Downes	Non-executive Director

Refer page 5 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 8.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Godfrey Remuneration Group Pty Limited to provide remuneration advice and Herbert Smith Freehills to draft updated executive service agreements.

Godfrey Remuneration Group Pty Limited was paid \$25,000 for remuneration advice and Herbert Smith Freehills was paid \$20,643 for drafting of executive service agreements. Herbert Smith Freehills was paid \$17,000 for other non remuneration related services in the current year.

DIRECTORS REPORT

For the Year ended 30 June 2014

9.3 Executive Remuneration

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

- Fixed Annual Remuneration (FAR)
- Executive Incentive Scheme (EIS)

9.3.1 Fixed Annual Remuneration (FAR)

What is FAR? FAR is the guaranteed salary package of the executive and includes superannuation guarantee levey and salary sacrificed components such as motor vehicles, computers and superannuation.

How is FAR set? FAR is set by reference to external market data for comparable roles and responsibilities within similar listed and unlisted 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 Executive Incentive Scheme (EIS)

What is EIS? EIS is an "at risk" component of executive remuneration.

EIS is used to reward executives for achieving and exceeding annual individual key performance indicators (KPIs).

The target EIS opportunity for executives varies according to the role and responsibility of the executive.

EIS awards comprise 50% cash and 50% deferred delivery stapled securities issued under the Executive Stapled Securities Scheme (ESSS). For executives not invited to participate in the ESSS, the EIS is paid fully in cash.

Executive	Position	Standard EIS Target (as a % of FAR)	% of EIS paid as cash	% of EIS paid as ESSS
Andrew Wilkinson	Managing Director	60%	50%	50%
Andrew Slade	Capital Manager	50%	50%	50%
Michael Clarke	Finance Manager	n/a ¹	50%	50%
Don Shipway	Asset Manager	n/a ¹	50%	50%

1. EIS awards are at the discretion of the Committee and the Board

How are EIS targets and objectives chosen? At the beginning of each year, in addition to the standard range of operational requirements, the Board sets a number of strategic objectives for ALE for that year. These objectives are dependent on the strategic opportunities and issues facing ALE for that year and may include objectives that relate to the short and longer term performance of ALE. Additionally, specific KPIs are established for all executives with reference to their individual responsibilities which link to the addition to and protection of securityholder value, improving business processes, ensuring compliance with legislative requirements, reducing risks within the business and ensuring compliance with risk management policies, as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

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

The quantum of EIS payments and awards are directly linked to over or under achievement against the specific KPIs. The Board has due regard to the achievements outlined in section 9.4.

DIRECTORS REPORT

For the Year ended 30 June 2014

How are EIS awards delivered? EIS cash payments are made in August each year following the signing of ALE's full year statutory financial statements.

The deferred component comprises an award of stapled securities under the ESSS. Any securities awarded under the ESSS are delivered three years after the award date provided certain conditions have been met.

How is the ESSS award calculated? The number of ESSS Rights awarded annually under the ESSS will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE's full year statutory financial statements, and grossing this number up for the future value of the estimated distributions over the three year deferred delivery period.

What conditions are required to be met for the delivery of an ESSS award? During the three year deferred delivery period, the delivery of the Stapled Securities issued under the ESSS remains subject to the following clawback tests. ESSS rights will be forfeited in whole or in part at the discretion of the Remuneration Committee if before the end of the deferred delivery period:

- the Committee becomes aware of any executive performance matter which, had it been aware of the the matter at the time of the original award, would have in their reasonable opinion resulted in a lower original award; or
- the executive engages in any conduct or commits any act which, in the Committee's reasonable opinion, adversely affects ALE Property Group including, and without limitation, any act which:
 - results in the ALE having to make any material negative financial restatements;
 - causes the ALE to incur a material financial loss; or
 - causes any significant financial or reputational harm to ALE and/or its businesses.

9.3.3 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	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$425,000	\$240,000	\$196,000	\$186,550	\$100,000	\$90,000
Notice by ALE	6 months	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 service agreement expires on 31 August 2014. On 30 July 2014 Mr Wilkinson signed a new service agreement that starts on 1 September 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, as being \$425,000, to be reviewed annually each 31 December by the Board. An EIS, if earned, would be paid 50% as a cash bonus in August each year and 50% in stapled securities issued under the ESSS and delivered three years following each of the annual grant dates.

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 EIS entitlements as at the date of termination. If employment is terminated in circumstances of redundancy or without cause then he is entitled to an amount of fixed remuneration for six months. In addition he may receive a pro-rata EIS award for the period of employment in the year of redundancy.

DIRECTORS REPORT

For the Year ended 30 June 2014

9.4 Executive Remuneration outcome for year ended 30 June 2014

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 16.

Executive Incentive Scheme Outcomes

ALE continues to perform well when compared to other Australian real estate investment trusts (AREITs).

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2014.

It was the view of the Committee that all standard KPIs and most of the major items in the Board approved corporate strategy had been met. In particular, it was the Committee's view that the refinancing of the CMBS and ALE Notes 2 with Australian Medium Term Notes (AMTN) had been very successful and the ten month project to implement the refinancing was managed very well. In particular the Committee noted;

Capital Matters

- An investment grade unsecured rating from Moodys of Baa2 was awarded;
- ALE issued one of the first AMTN's ranking behind a secured bond (CIBs);
- ALE issued the only dual tranche AMTN in the market this year;
- The capital management review during the year and the AMTN transaction were internally advised with management reviewing all options and project managing the process. Accordingly the upfront cost was significantly lower than previous refinancing's;
- The debt investor market accepted the AMTN issue very well with it being significantly over subscribed;
- Achieved very aggressive market pricing resulting in significant interest expense savings. The refinancing delivered a margin reduction of 1.75% (from 318 to 143 bps) equating savings of \$5.7m p.a.;
- Risk managed the outcome by running a parallel US Private Placement alternative funding process. This applied competitive pressure on the AMTN market and was one of the factors that helped to drive a very positive outcome for AMTN pricing and terms;
- Effective and concentrated road show marketing of ALE by the management team to more than 25 US based and 40 Australian and Asian based debt investors helped to position ALE in a very positive light;
- Funding diversification was achieved. ALE's name is now established and well regarded in the significantly more liquid and flexible AMTN capital market;
- A sophisticated and well executed restructure was completed to materially simplify ALE's long term hedging arrangements; and
- The completion of the AMTN refinancing delivered a diversified, flexible and increasingly simplified capital structure for ALE.

Other matters

- ALE was awarded "AREIT of the Year" from Property Investment Research;
- Sold the Victoria Hotel at Shepparton, Victoria at a low cap rate of 6.3%, delivering a strong value outcome for a property in that regional location;
- Considered a range of investment opportunities;
- Positive investor feedback was received from publication of a Property Portfolio Valuation; and
- Continued to deliver best in AREIT sector total returns for securityholders.

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 EIS result for the Managing Director and Capital Manager particularly reflect the positive contributions they made to the various capital management activities, as outlined above. Other executives contributed to a range of the important and valuable outcomes outlined above that were recognised in the EIS payments made. All the EIS payments are included in staff remuneration expenses in the current year.

The EIS awarded to each member of the management team was as follows:

Executive	Target EIS (as % of FAR)	EIS		EIS Awarded	Cash Component	ESSS Component
		Awarded (as % of FAR)	EIS Awarded as a % of Target			
Andrew Wilkinson	60%	76.5%	127.5%	\$325,000	\$162,500	\$162,500
Andrew Slade	50%	66.7%	133.3%	\$160,000	\$80,000	\$80,000
Michael Clarke	n/a	20.4%	-	\$40,000	\$20,000	\$20,000
Don Shipway	n/a	10.7%	-	\$20,000	\$10,000	\$10,000

DIRECTORS REPORT

For the Year ended 30 June 2014

ALE's Financial Performance History

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

	FY10	FY11	FY12	FY13	FY14
Distributable profit (\$m)	38.1	31.3	26.7	31.7	31.2
Distribution per Security	24.00	19.75	16.00	16.00	16.45
Continuing property values (\$m) ²	709.8	753.9	767.2	781.5	821.6
Net gearing ¹	52.1%	51.7%	51.9%	50.8%	51.7%

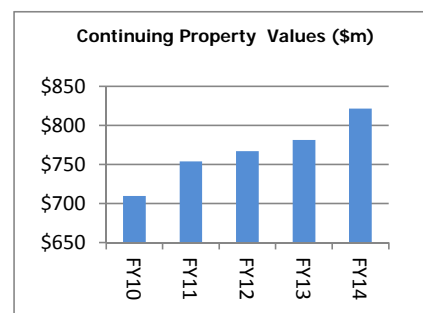
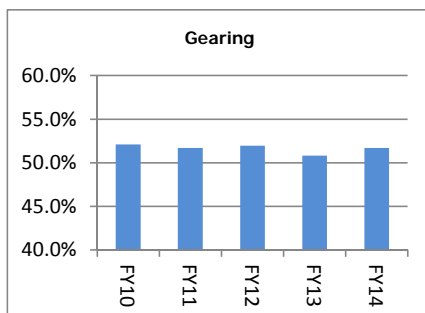
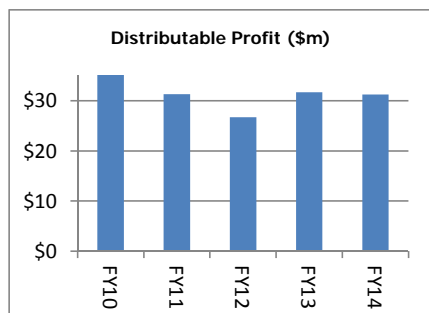
1. Total borrowings less cash as a percentage of total assets less cash and derivatives

2. Includes only the value of properties held as at 30 June 2014

The accumulated value of \$1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and current market value of securities as at 1 July 2014 totalled \$7.93.

According to UBS for the period ending 30 June 2014 ALE continued to out perform other equity return benchmarks including the AREIT 200 index and the All ordinaries index for periods including three, five and ten years. For the one year period ALE's return of 15.1% outperformed the AREIT 300 index of 11.1% and was slightly behind the All Ordinaries index of 17.3% p.a.

Growth in the value of the continuing properties between ALE's 2003 IPO and 30 June 2014 has averaged 4.32% p.a. This has exceeded growth in CPI at 2.77% p.a



Accumulated Value for: AREITs \$1.50, All Ords \$2.62, ALE \$7.93¹

1. Distributions include payment for renouncing Sep 2009 rights and all other distributions paid and declared to September 2014

DIRECTORS REPORT

For the Year ended 30 June 2014

9.5 Disclosures relating to equity instruments granted as compensation

9.5.1 Outstanding equity instruments granted as compensation

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at Grant Date (\$)	Delivery Date	% vested in year	% forfeited in year
Performance Rights							
A J Slade	8,272	1 Jul 09	1 Jul 09	0.91	1 Jul 14	-%	-%
ESSS Rights							
A F O Wilkinson	43,136	23 Aug 12	1 Jul 11	1.65	31 Jul 15	-%	-%
A F O Wilkinson	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
A J Slade	23,611	23 Aug 12	1 Jul 11	1.65	31 Jul 15	-%	-%
A J Slade	34,571	28 Jun 12	1 Jul 10	1.45	31 Jul 14	-%	-%
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%

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 movements in performance rights

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

Executive	Granted in year \$ (a)	Vested in year \$ (b)	Lapsed in year \$ (c)	Securities Issued in the year \$	Securities Issued in the year (Number)
A F O Wilkinson	-	-	-	122,193	45,200
A J Slade	-	-	-	9,510	3,518

(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.

9.5.4 Analysis of movements in ESSS rights

The movement during the reporting period, by value and number of ESSS rights over stapled securities in ALE is detailed below.

Executive	Opening Balance	Granted in Year	Stapled Securities Issued in the Year	Lapsed in the Year	Closing Balance
By Value (\$)					
A F O Wilkinson	71,250	79,040	-	-	150,290
A J Slade	89,000	43,264	-	-	132,264
M J Clarke	-	20,000	-	-	20,000
D J Shipway	-	20,000	-	-	20,000
By Number					
A F O Wilkinson	43,136	34,878	-	-	78,014
A J Slade	58,182	19,092	-	-	77,274
M J Clarke	-	8,825	-	-	8,825
D J Shipway	-	8,825	-	-	8,825

DIRECTORS REPORT

For the Year ended 30 June 2014

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.

The value of ESSS disclosed in section 9.5.4 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined on 14 August 2014.

9.7 Non-executive Directors' Remuneration**9.7.1 Remuneration Policy and Strategy**

Non-executive directors' individual fees are determined by the Company 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. During the year P J Downes was appointed to the Board which has increased aggregate non-executive directors fees to slightly below this amount. In order to facilitate the continuing Board renewal process shareholders will be asked at the next AGM on 6 November 2014 to approve an increase in aggregate remuneration to \$650,000. The individual directors fees will not change as a result of this increase if it is approved.

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, and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed by Godfrey Remuneration Group Pty Limited in the current financial year. The result of this review was that no changes to fees and payments were made. 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.

The current remuneration was last independently reviewed in January 2014. This resulted in no change to the Fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

	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.

ALE Property Group

DIRECTORS REPORT

For the Year ended 30 June 2014

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 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2014 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2013 to 30 June 2014

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2014 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Other long term	Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits		Termination benefits	ESSS	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
P H Warne	Non-executive Director	160,183	-	-	160,183	14,817	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
H I Wright	Non-executive Director	96,110	-	-	96,110	8,890	-	-	-	105,000	-	-
P J Downes	Non-executive Director	54,847	-	-	54,847	5,073	-	-	-	59,920	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	393,567	162,500	-	556,067	17,775	21,156	-	162,500	757,498	42.9%	21.5%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	212,076	80,000	-	292,076	17,625	12,843	-	80,000	402,544	39.7%	19.9%
M J Clarke	Finance Manager	175,222	20,000	-	195,222	17,266	7,281	-	20,000	239,769	16.7%	8.3%
D J Shipway	Asset Manager	163,949	10,000	-	173,949	17,015	6,446	-	10,000	207,410	9.6%	4.8%
		1,545,954	272,500	-	1,818,454	98,461	47,726	-	272,500	2,237,141		

Table 2 Remuneration details 1 July 2012 to 30 June 2013

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2013 are set out in the following table:

Key management personnel		Short term				Post employment benefits	Other long term	Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits		Termination benefits	ESSS	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
P H Warne	Non-executive Director	160,550	-	-	160,550	14,450	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
H I Wright	Non-executive Director	96,330	-	-	96,330	8,670	-	-	-	105,000	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	378,888	79,040	-	457,928	16,470	11,310	-	79,040	564,748	28.0%	14.0%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	186,743	43,264	8,737	238,744	16,457	4,353	-	43,264	302,818	28.6%	14.3%
M J Clarke	Finance Manager	162,926	20,000	8,917	191,843	14,561	3,565	-	20,000	229,969	17.4%	8.7%
D J Shipway	Asset Manager	164,029	20,000	-	184,029	14,014	3,173	-	20,000	221,216	18.1%	9.0%
		1,439,466	162,304	17,654	1,619,424	84,622	22,401	-	162,304	1,888,751		

DIRECTORS REPORT

For the Year ended 30 June 2014

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	45,200
A J Slade	3,518

12 Insurance of officers

During the financial year, the Company paid a premium of \$61,276 (2013: \$53,163) 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*. During the current and previous financial years, no non-audit services were performed by the auditors.

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

	30 June 2014 \$	30 June 2013 \$
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
- in relation to current year	180,500	201,000
- in relation to prior year	8,500	-
Total remuneration for audit services	189,000	201,000

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, in most cases ALE is indemnified by third parties against any remediation amounts likely to be required. ALE does not expect to incur any material environmental liabilities.

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 19.

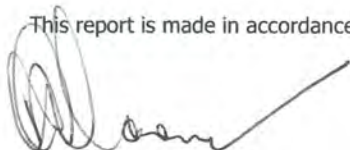
DIRECTORS REPORT

For the Year ended 30 June 2014

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.

A handwritten signature in black ink, appearing to read 'Peter H Warne', with a long horizontal stroke extending to the right.

Peter H Warne
Director
Sydney

Dated this 6th day of August 2014



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 the 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 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner

Sydney

6 August 2014

ALE Property Group

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue			
Rent from investment properties	6	54,187	53,099
Interest from cash deposits	7	2,216	2,763
Total revenue		56,403	55,862
Other income			
Fair value increments to investment properties	17	40,180	15,105
Profit / (Loss) on disposal of investment property		(42)	490
Other income		550	236
Total other income		40,688	15,831
Total revenue and other income		97,091	71,693
Expenses			
Fair value decrements to derivatives - net	8	21,203	25,455
Finance costs (cash and non-cash)	10	26,737	24,029
Queensland land tax expense		2,122	2,252
Other expenses	9	4,835	4,476
Total expenses		54,897	56,212
Profit/(Loss) before income tax		42,194	15,481
Income tax expense/(benefit)	12	5,000	572
Profit/(Loss) after income tax		37,194	14,909
Profit/(Loss) attributable to stapled securityholders of ALE		37,194	14,909
Other comprehensive income		-	-
Other comprehensive income for the year after income tax		-	-
Total comprehensive income for the year		37,194	14,909
Profit/(Loss) attributable to:			
Members of ALE		37,194	14,909
Non-controlling interest		-	-
Profit/(Loss) for the year		37,194	14,909
Total comprehensive income attributable to:			
Members of ALE		37,194	14,909
Non-controlling interest		-	-
Total comprehensive income for the year		37,194	14,909
		Cents	Cents
Basic and diluted earnings per stapled security	14(a)	19.03	8.21

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

ALE Property Group

STATEMENT OF FINANCIAL POSITION

For the Year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	15	149,963	54,652
Receivables	16	2,147	1,377
Other		249	226
Total current assets		152,359	56,255
Non-current assets			
Investment properties	17	821,680	786,000
Derivatives	11	4,108	17,425
Plant and equipment		31	42
Deferred tax asset	13	339	5,337
Total non-current assets		826,158	808,804
Total assets		978,517	865,059
Current liabilities			
Payables	18	8,523	4,236
Borrowings	20	102,383	-
Derivatives	11	-	356
Provisions	19	16,271	15,640
Total current liabilities		127,177	20,232
Non-current liabilities			
Borrowings	20	474,051	457,659
Derivatives	11	-	18,811
Total non-current liabilities		474,051	476,470
Total liabilities		601,228	496,702
Net assets		377,289	368,357
Equity			
Contributed equity	21	257,870	254,080
Reserve	23	604	382
Retained profits	22	118,815	113,895
Total equity		377,289	368,357
Net assets per stapled security		\$ \$1.93	\$ \$1.90

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

ALE Property Group

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2014

	Note	Share Capital \$'000	Share based payments reserve \$'000	Retained Earnings \$'000	Total \$'000
2014					
Total equity at the beginning of the year		254,080	382	113,895	368,357
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	37,194	37,194
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	37,194	37,194
<i>Transactions with Members of ALE recognised directly in Equity:</i>					
Employee share based payments	23	-	272	-	272
Employee share based payments - securities purchased	21	-	(50)	(81)	(131)
Securities issued - Distribution Reinvestment Plan	21	3,939	-	-	3,939
Costs associated with on market purchase of Securities for Distribution Reinvestment Plan	21	(149)	-	-	(149)
Distribution paid or payable	14	-	-	(32,193)	(32,193)
Total equity at the end of the year		257,870	604	118,815	377,289
2013					
Total equity at the beginning of the year		182,255	207	130,039	312,501
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	14,909	14,909
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	14,909	14,909
<i>Transactions with Members of ALE recognised directly in Equity:</i>					
Employee share based payments	23	-	166	-	166
Securities issued - Placement	21	40,000	-	-	40,000
Securities issued - Security Purchase Plan	21	27,024	-	-	27,024
Securities issued - ALE Executive Performance Rights Plan	21	19	9	(28)	-
Securities issued - Distribution Reinvestment Plan	21	6,253	-	-	6,253
Capital raising costs	21	(1,471)	-	-	(1,471)
Distribution paid or payable	14	-	-	(31,025)	(31,025)
Total equity at the end of the year		254,080	382	113,895	368,357

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

ALE Property Group

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from tenant and others		60,232	58,486
Payments to suppliers and employees		(12,586)	(10,129)
Interest received - bank deposits		2,075	3,271
Net interest received - interest rate hedges		7,413	9,308
Borrowing costs paid		(27,235)	(26,621)
Net cash inflow from operating activities	15	29,899	34,315
Cash flows from investing activities			
Net proceeds from disposal/resumption of properties		4,458	-
Payments for plant and equipment		(6)	-
Net cash inflow from investing activities		4,452	-
Cash flows from financing activities			
Capitalised borrowing costs paid		(1,522)	(908)
Derivative termination payments		(27,053)	(69,453)
Proceeds from borrowings		339,736	40,000
Proceeds from securities issued		-	67,025
Capital raising costs paid		-	(1,472)
Costs of on-market acquisition of securities for DRP		(149)	-
Borrowings repaid			
CPI hedge indexation payment		-	(37,264)
CMBS		(160,000)	-
ALE Notes 2		(62,404)	-
Distributions paid (net of DRP securities issued)		(27,648)	(22,022)
Net cash inflow/(outflow) from financing activities		60,960	(24,094)
Net increase/(decrease) in cash and cash equivalents		95,311	10,221
Cash and cash equivalents at the beginning of the year		54,652	44,431
Cash and cash equivalents at the end of the year	15	149,963	54,652

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 2014

Note 1 Reporting Entity

ALE is domiciled in Australia. ALE, the stapled entity, was formed by stapling together the units in the Trust and the shares in the Company. For the purposes of financial reporting, the stapled entity reflects the consolidated entity. The parent entity and deemed acquirer in this arrangement is the Trust. The results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2013 to 30 June 2014.

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 ALE Property Group is a for-profit entity.

The Company is the Responsible Entity of the Trust.

Note 2 Basis of preparation

(a) Compliance Statement

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) 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 which are measured at fair value:

- derivative financial instruments
- financial instruments at fair value through profit or loss
- investment property

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

The consolidated financial statements were authorised for issue by the Board of Directors on 5th August 2014.

(c) Functional and presentation currency

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

ALE is an entity 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 17 - Investment property
- Note 24 - Measurement of share based payments
- Note 33 - Valuation of financial instruments

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

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 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.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (i))

AASB 13 *Fair Value Measurement* (see (ii))

AASB 119 *Employee Benefits* (2011)

Annual Improvements to Australian Accounting Standards 2009–2011 Cycle

(i) Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances. This change in policy did not change the entities that are consolidated.

(ii) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

(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 collectively in this financial report as ALE. Entities are fully consolidated from the date on which control is transferred to the Trust; where applicable, entities 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 2014

Note 3 Summary of significant accounting policies

(b) Investment property

Properties (including land and buildings) held for long term rental yields and capital appreciation 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 expenditure 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 83 of the 86 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.

Collectability 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 3 Summary of significant accounting policies (continued)**(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 relating to depreciable plant and equipment (office fixtures, fittings and operating equipment) is calculated using the straight line method or diminishing value 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 3 Summary of significant accounting policies (continued)

(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 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 expense 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 accumulated sick leave are recognised as an expense when the leave is taken and measured at the rates paid or payable.

(ii) Share based payments

Executive Stapled Security Scheme (ESSS)

The grant date fair value of ESSS 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 ESSS rights. The amount recognised as an expense is adjusted to reflect the actual number of ESSS Rights that vest.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 3 Summary of significant accounting policies (continued)

The fair value at grant date is determined as the value of the ESSS Rights in the year in which they are awarded. The number of ESSS Rights issued annually under the ESSS will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements.

Upon the exercise of ESSS rights, the balance of the share based payments reserve relating to those performance rights is transferred to Contributed Equity.

Performance Rights

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 and incentive plans

Liabilities and expenses for bonuses and incentives are recognised where contractually obliged or where there is a past practice that may create 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 3 Summary of significant accounting policies (continued)

(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 is calculated by dividing the profit attributable to the equity holders of ALE by the weighted average number of stapled securities outstanding during the reporting period.

(ii) Diluted earnings per stapled security

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 3 Summary of significant accounting policies (continued)**(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 hedges to reduce certain risk exposures (Notes 5 and 33 provide further information).

(t) New accounting standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities, THE IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting

IFRS 9 (2010) and (2009) are effective for annual reporting periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is not expected to have an impact on the Group's financial assets or financial liabilities.

(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 the Company'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.

When measuring the fair value of an asset or a liability, ALE uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2:* inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

ALE recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 17 Investment property
Note 33 Financial instruments

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

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 characteristics of its tenant. ALE has one tenant (Australian Leisure and Hospitality Group Limited) and therefore there is significant concentration of credit risk with that company. Credit risk of the tenant is constantly monitored to ensure 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 and those of the tenant's shareholders.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 5 Financial Risk Management

Interest rate risk and consumer price index risk

ALE adopts a policy of ensuring that all exposure to changes in interest rates on borrowings are hedged. This is achieved by entering into interest rate hedges to fix the interest rates or by issuing fixed rate borrowings.

Property valuation risk

ALE owns a number of investment properties. Those property valuations may increase or decrease from time to time. 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 monitors securityholder equity and manages it 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 contributed 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 and ALE Notes 2. ALE has also from time to time 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 (total liabilities as a percentage of total assets) at 30 June 2014 and 30 June 2013 were 61.5% and 57.2% respectively.

The net gearing ratios (total borrowings less cash as a percentage of total assets less cash and derivatives) at 30 June 2014 and 30 June 2013 were 51.7% and 50.9% respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 6 Rent from investment properties		
Rent from continuing properties	54,187	53,099
	54,187	53,099
<p>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, NSW which has fixed increases of 3%.</p>		
Note 7 Interest income		
Operating bank and term deposit interest	2,216	2,763
<p>As at 30 June 2014 the weighted average interest rate earned on cash was 3.39% (2013: 3.73%)</p>		
Note 8 Current year fair value adjustments to derivatives		
Fair value increments/(decrements) to interest rate hedge derivatives	(21,203)	(4,045)
Fair value increments/(decrements) to CPI hedge derivatives	-	(21,410)
	(21,203)	(25,455)
<p>During the current year a portion of the derivative value movement was realised upon termination of hedges.</p>		
Note 9 Other expenses		
Annual reports	114	127
Audit, accounting, tax and professional fees	213	273
Depreciation expense	17	21
Insurance	177	166
Legal fees	208	271
Occupancy costs	120	116
Corporate and other expenses	799	713
Property revaluations, and condition and compliance audits	276	240
Registry fees	147	129
Salaries, fees and related costs	2,519	2,206
Staff training	20	16
Travel and accommodation	82	58
Trustee and custodian fees	143	140
	4,835	4,476
Total other expenses	4,835	4,476
Less: Share based payments expense	(272)	(166)
Total cash other expenses	4,563	4,310

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

		2014 \$'000	2013 \$'000
Note 10 Finance costs (cash and non-cash)			
	Note		
Finance costs - cash			
Capital Indexed Bonds (CIB)	20(b)	4,752	4,642
Commercial Mortgage Backed Securities (CMBS)	20(c)	7,748	8,924
Australian Medium Term Notes (AMTN)	20(d)	875	-
ALE Notes 2	20(e)	10,454	10,931
Interest rate derivative payments/(receipts)	-	(7,677)	(8,946)
CMBS early redemption penalty	(iv)	1,680	-
ALE Notes 2 buyback premium	(v)	624	-
Other finance expenses	(ii)	580	2,270
	(i)	19,036	17,821
Finance costs - non-cash			
Accumulating indexation - CIB	20(b)	3,625	2,972
Accumulating indexation - CPI Hedges	20(f)	-	1,290
Amortisation - CIB and CMBS	(iii)	2,603	777
Amortisation - CPI Hedge	(iii)	-	57
Amortisation - AMTN	(iii)	8	-
Amortisation - AMTN discount	(iii)	1	-
Amortisation - ALE Notes 2	(iii)	1,464	1,112
		7,701	6,208
Finance costs (cash and non-cash)		26,737	24,029

- (i) Amounts represent net cash finance costs after derivative payments and receipts.
- (ii) Other borrowing costs such as rating agency fees and liquidity fees. In 2013 hedging restructure costs were also included.
- (iii) Establishment costs of the various borrowings are amortised over the period of the borrowing on an effective rate basis. During the year the CMBS borrowing were redeemed and therefore all unamortised establishment costs were written off.
- (iv) The CMBS had a maturity date of 20 May 2016 and were redeemed early on 20 June 2014. In accordance with the loan agreement an early repayment penalty was incurred.
- (v) During June 2014 ALE undertook an on-market buyback of ALE Notes 2 at \$101 per note. The ALE Notes have a face value of \$100 so a \$1 premium per note was paid on the notes bought back and cancelled.

	2014 \$'000	2013 \$'000
Note 11 Derivatives		
Current assets	-	-
Non current assets	4,108	17,425
Total assets	4,108	17,425
Current liabilities	-	(356)
Non current liabilities	-	(18,811)
	-	(19,167)
Net assets/(liabilities)	4,108	(1,742)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 11 Derivatives (continued)		
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 previously 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 past the maturity date of the AMTN through nominal interest rate hedges. Interest rate hedges and the previous 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 net borrowings.		
Note 12 Income tax		
Current tax expense/(benefit)	2	-
Deferred tax expense/(benefit)	4,998	572
Income tax expense/(benefit)	5,000	572
Deferred income tax expense included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax asset (Note 13)	4,998	572
	4,998	572
Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	42,194	15,481
Profit/(loss) attributable to entities not subject to tax	25,706	13,732
Profit/(loss) before income tax expense subject to tax	16,488	1,749
Tax at the Australian tax rate of 30% (2012: 30%)	4,946	525
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	42	46
Other	10	1
Under/(over) provision in prior years	2	-
Income tax expense/(benefit)	5,000	572

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

		2014 \$'000	2013 \$'000
Note 13 Deferred tax assets			
Deferred tax assets		339	5,337
The balance is attributable to:			
Derivatives - interest rate hedges		-	5,736
Employee benefits		38	30
Acquisition proposal due diligence costs		1	2
Amortised borrowing costs		56	(481)
Accruals		-	17
Other items		(11)	(4)
Tax losses		255	37
Net deferred tax assets		339	5,337
Movements:			
Opening balance		5,337	5,909
Credited/(charged) to the income statement (Note 12)		(4,998)	(572)
Credited/(charged) to equity		-	-
Closing balance		339	5,337
Deferred tax assets to be recovered within 12 months		273	71
Deferred tax assets to be recovered after more than 12 months		66	5,266
		339	5,337
Note 14 Earning and distributions per stapled security			
Reconciliation of profit after tax to amounts available for distribution:	Note		
Profit after income tax for the year	(a)	37,194	14,909
Plus /(less)			
Fair value increments to investment properties	17	(40,180)	(15,105)
Fair value decrements to derivatives	8	21,203	25,455
Loss/(Gain) on disposal of property		42	(490)
Employee share based payments	23	272	166
Finance costs - non cash	10	7,701	6,208
Income tax expense	12	5,000	572
Adjustments for non-cash items		(5,962)	16,806
Total available for distribution	(b)	31,232	31,715
Distribution paid or provided for	(d)	32,193	31,025
Available and under/(over) distributed for the year	(e)	(961)	690
Reconciliation of accumulated undistributed income			
Opening balance		11,405	10,715
Available and undistributed/(over distributed) for the year		(961)	690
Closing balance	(f)	10,444	11,405

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 14 Earning and distributions per stapled security (continued)		
	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	195,437,564	181,563,372
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	195,437,564	181,563,372
Stapled securities on issue at the end of the year used in calculating total available for distribution per stapled security at (c) below	195,702,333	194,238,078
	2014 cps	2013 cps
(a) Basic and diluted earnings per stapled security	19.03	8.21
(b) Basic and diluted earnings per stapled security excluding non-cash items (Distributable Profit)	15.98	17.47
(c) Total available for distribution	15.96	16.32
(d) Distribution per stapled security	16.45	16.00
(e) Available and under/(over) distributed for the year	(0.49)	0.32
(f) Accumulated undistributed income at the end of the year	5.34	5.87

cps = cents per security

Note 15 Cash assets and cash equivalents

Cash at bank and in hand	10,389	1,928
Deposits at call	131,184	44,334
Cash reserve	8,390	8,390
	149,963	54,652

An amount of \$8.39 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 2016 and 20 November 2023 respectively. On 20 June 2014 the CMBS was redeemed, however, the cash reserve is still required for the CIB.

In the prior year an amount of \$10.15 million was held in a Sales Proceeds Account in accordance with an Issuer Loan Agreement for the CIB and CMBS facilities. During the current year, following the early redemption of the CMBS, this cash was released. The cash held in this account was placed on short term deposit or used to acquire property to be placed within the security pool. Refer note 20(h) for further details on the assets pledged as security for the CIB.

During the year ended 30 June 2014 all cash assets were placed on deposit with either the National Australia Bank Limited, Bank of China, or the Industrial and Commercial Bank of China. As at 30 June 2014, the weighted average interest rate on all cash assets was 3.39% (2013: 3.73%).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 15 Cash assets and cash equivalents (continued)		
	2014 \$'000	2013 \$'000
<i>Reconciliation of profit after income tax to net cash inflows from operating activities</i>		
Profit for the year	37,194	14,909
Plus/(less):		
Fair value decrements/(increments) to investment property	(40,180)	(15,105)
Fair value decrements/(increments) to derivatives	21,203	25,455
Finance costs amortisation	4,076	1,947
Loss/(gain) on disposal of investment property	42	(490)
Accumulated indexation on CIB	3,625	2,972
Accumulated indexation on CPI Hedges	-	1,290
Share based payments expense	272	166
Share based payment securities purchased	(131)	-
Depreciation	17	21
Decrease/(increase) in receivables	(770)	2,023
Decrease/(increase) in deferred tax asset	4,998	572
Decrease/(increase) in other assets	(23)	176
Increase/(decrease) in payables	(449)	324
Increase/(decrease) in provisions	25	55
Net cash inflow from operating activities for the year	29,899	34,315
Distribution payments totalling \$3,939,103 (2013: \$6,253,121) were satisfied by the issue of securities under the Distribution Reinvestment Plan.		
Note 16 Receivables		
Accounts receivable	1,783	1,253
Interest receivable	364	124
	2,147	1,377
Note 17 Investment properties		
Investment properties - at fair value	821,680	786,000
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	786,000	771,530
Disposals	(4,500)	(635)
Net gain/(loss) from fair value adjustments	40,180	15,105
Carrying amount at the end of the year	821,680	786,000

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

Leasing arrangements

83 of the 86 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

2014	2013
\$'000	\$'000

Note 17 Investment properties (continued)**Measurement of fair value***Valuation approach*

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 2014, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 6.42% (2013: 6.59%).

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 weighted average lease term of the properties is around 14 years.

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 31 properties were independently valued as at 30 June 2014. 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 CBRE (VIC and SA), Urbis Valuations (QLD and WA) and Colliers (NSW).

The remaining 55 properties were subject to Directors' valuations as at 30 June 2014, identified as "B". The Directors' valuations of the 55 properties were determined by taking each property's net rent as at 30 June 2014 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 31 independent valuations completed at 30 June 2014 on a state by state basis. The Directors have received advice from CBRE, Urbis and Colliers that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a state by state basis.

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.

	2014 Yields	2013 Yields	2014 Average	2013 Average
New South Wales	5.57% - 7.84%	5.60% - 7.89%	6.56%	6.60%
Victoria	5.23% - 7.19%	5.46% - 7.50%	6.41%	6.68%
Queensland	5.29% - 6.87%	5.15% - 6.91%	6.33%	6.38%
South Australia	6.03% - 6.76%	6.44% - 6.80%	6.52%	6.71%
Western Australia	6.49% - 7.29%	6.58% - 7.34%	6.75%	6.83%

Valuations reflect, where appropriate, the tenant in occupation, the credit worthiness of the tenant, the triple-net nature and remaining term of the leases (83 of 86 properties), land tax liabilities (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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

2014
\$'000

2013
\$'000

Note 17 Investment properties (continued)

Fair value hierarchy

The fair value of investment property was determined by having external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued value approximately one third of the portfolio every 12 months. The remaining properties are valued by Directors by reference to the movement in capitalisation rates advised by the independent valuers. The Directors receive advice from the independent valuers that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates in the sample independently valued, on a state by state basis, to the remaining properties.

The fair value measurement for investment property of \$821.680 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Balance at the beginning of the year	786,000	771,530
Disposals - at fair value	(4,500)	(635)
Changes in fair value (unrealised)	40,180	15,105
Carrying amount at the end of the year	821,680	786,000

Valuation techniques and unobservable inputs

Fair value hierarchy	Class of property	Fair Value 30 June 2014 \$'000's	Valuation technique	Inputs Used to Measure Fair Value	Range of Individual Property Unobservable inputs
Level 3	Pubs	821,680	Capitalisation method	Gross rent p.a (\$'000) Land tax p.a (\$'000) Adopted capitalisation rate	\$174 - \$1,537 \$12 - \$127 5.23% - 7.84%

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 17	Investment properties (continued)					Fair value gains/ (losses) 30 June 2014
Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2014 \$'000	Fair value at 30 June 2013 \$'000	2014 \$'000
New South Wales						
Blacktown Inn, Blacktown	Nov-03	5,472	B	8,960	8,720	240
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	A	9,450	9,230	220
Colyton Hotel, Colyton	Nov-03	8,208	B	13,450	13,100	350
Crows Nest Hotel, Crows Nest	Nov-03	8,772	B	13,380	13,030	350
Melton Hotel, Auburn	Nov-03	3,114	B	5,580	5,430	150
Narrabeen Sands Hotel, Narrabeen	Mar-09	8,945	A	11,650	11,250	400
New Brighton Hotel, Manly	Nov-03	8,867	B	15,010	14,620	390
Pioneer Tavern, Penrith	Nov-03	5,849	A	9,800	9,530	270
Pritchard's Hotel, Mount Pritchard	Oct-07	21,130	B	19,600	18,910	690
Smithfield Tavern, Smithfield	Nov-03	4,151	B	6,990	6,810	180
Total New South Wales properties		80,168		113,870	110,630	3,240
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	B	12,200	11,800	400
Alderley Arms Hotel, Alderley	Nov-03	3,303	A	5,350	5,220	130
Anglers Arms Hotel, Southport	Nov-03	4,434	B	7,790	7,570	220
Balaclava Hotel, Cairns	Nov-03	3,304	B	5,990	5,820	170
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	B	14,680	14,240	440
Burleigh Heads Hotel, Burleigh Heads	Nov-08	6,685	B	11,500	11,160	340
Camp Hill Hotel, Camp Hill	Nov-03	2,265	A	3,625	3,420	205
Chardons Corner Hotel, Annerly	Nov-03	1,416	B	2,120	2,110	10
Dalrymple Hotel, Townsville	Nov-03	3,208	B	5,740	5,570	170
Edge Hill Tavern, Manoora	Nov-03	2,359	B	4,690	4,560	130
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	B	4,940	4,790	150
Four Mile Creek, Strathpine	Jun-04	3,672	A	6,350	6,000	350
Hamilton Hotel, Hamilton	Nov-03	6,604	B	9,610	9,300	310
Holland Park Hotel, Holland Park	Nov-03	3,774	B	6,420	6,220	200
Kedron Park Hotel, Kedron Park	Nov-03	2,265	B	3,400	3,260	140
Kirwan Tavern, Townsville	Nov-03	4,434	B	8,730	8,480	250
Lawnton Tavern, Lawnton	Nov-03	4,434	B	7,200	6,940	260
Miami Tavern, Miami	Nov-03	4,057	B	8,790	8,480	310
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	A	5,325	4,980	345
Mount Pleasant Tavern, Mackay	Nov-03	1,794	B	3,380	3,280	100
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	B	12,250	11,780	470
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	A	4,750	4,240	510
Palm Beach Hotel, Palm Beach	Nov-03	6,886	B	11,340	11,080	260
Pelican Waters, Caloundra	Jun-04	4,237	A	6,825	6,560	265
Prince of Wales Hotel, Nundah	Nov-03	3,397	A	5,800	5,730	70
Racehorse Hotel, Booval	Nov-03	1,794	B	3,160	3,050	110
Redland Bay Hotel, Redland Bay	Nov-03	5,189	A	8,825	8,210	615
Royal Exchange Hotel, Toowong	Nov-03	5,755	A	9,075	8,850	225
Springwood Hotel, Springwood	Nov-03	9,150	B	13,730	13,320	410
Stones Corner Hotel, Stones Corner	Nov-03	5,377	B	9,010	8,740	270
Vale Hotel, Townsville	Nov-03	5,661	B	10,390	10,090	300
Wilsonton Hotel, Toowoomba	Nov-03	4,529	B	7,960	7,790	170
Total Queensland properties		145,254		240,945	232,640	8,305

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 17	Investment properties (continued)					Fair value gains/ (losses)
Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2014 \$'000	Fair value at 30 June 2013 \$'000	30 June 2014 \$'000
South Australia						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	A	5,850	5,510	340
Eureka Tavern, Salisbury	Nov-03	3,303	A	5,800	5,700	100
Exeter Hotel, Exeter	Nov-03	1,888	B	3,650	3,480	170
Finsbury Hotel, Woodville North	Nov-03	1,605	A	3,200	2,940	260
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	B	4,290	4,090	200
Hendon Hotel, Royal Park	Nov-03	1,605	B	3,140	2,990	150
Stockade Tavern, Salisbury	Nov-03	4,435	B	7,710	7,350	360
Total South Australian properties		18,310		33,640	32,060	1,580
Victoria						
Ashley Hotel, Braybrook	Nov-03	3,963	B	7,200	6,740	460
Bayswater Hotel, Bayswater	Nov-03	9,905	A	17,300	16,400	900
Berwick Inn, Berwick	Feb-06	15,888	B	18,610	17,340	1,270
Blackburn Hotel, Blackburn	Nov-03	9,433	A	14,950	14,070	880
Blue Bell Hotel, Wendouree	Nov-03	1,982	B	4,190	3,920	270
Boundary Hotel, East Bentleigh	Jun-08	17,943	B	21,190	19,840	1,350
Burvale Hotel, Nunawading	Nov-03	9,717	B	16,490	15,440	1,050
Club Hotel - FTG, Ferntree Gully	Nov-03	5,095	B	9,770	9,140	630
Cramers Hotel, Preston	Nov-03	8,301	A	14,500	14,270	230
Deer Park Hotel, Deer Park	Nov-03	6,981	A	12,200	11,400	800
Doncaster Inn, Doncaster	Nov-03	12,169	A	19,270	19,030	240
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	B	9,190	8,610	580
Gateway Hotel, Corio	Nov-03	3,114	B	6,480	6,060	420
Keysborough Hotel, Keysborough	Nov-03	9,622	B	14,810	13,870	940
Mac's Melton Hotel, Melton	Nov-03	6,886	A	11,650	10,900	750
Meadow Inn Hotel/Motel, Fawkner	Nov-03	7,689	A	13,250	12,830	420
Mitcham Hotel, Mitcham	Nov-03	8,584	A	14,100	13,130	970
Morwell Hotel, Morwell	Nov-03	1,511	B	3,290	3,080	210
Olinda Creek Hotel, Lilydale	Nov-03	3,963	B	6,800	6,370	430
Pier Hotel, Frankston	Nov-03	8,019	B	13,190	12,350	840
Plough Hotel, Mill Park	Nov-03	8,490	B	13,060	12,230	830
Prince Mark Hotel, Doveton	Nov-03	9,810	B	16,870	15,790	1,080
Royal Exchange, Traralgon	Nov-03	2,171	A	4,360	4,300	60
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	A	18,350	16,490	1,860
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	A	10,400	9,690	710
Sandringham Hotel, Sandringham	Nov-03	4,529	B	9,380	8,780	600
Somerville Hotel, Somerville	Nov-03	2,642	B	5,280	4,940	340
Stamford Inn, Rowville	Nov-03	12,733	B	19,620	18,370	1,250
Sylvania Hotel, Campbellfield	Nov-03	5,377	B	10,300	9,640	660
Tudor Inn, Cheltenham	Nov-03	5,472	A	9,900	8,860	1,040
The Vale Hotel, Mulgrave	Nov-03	5,566	A	9,600	8,960	640
Victoria Hotel, Shepparton	Nov-03	2,265	C	-	4,500	-
Village Green Hotel, Mulgrave	Nov-03	12,546	A	20,000	17,300	2,700
Young & Jackson, Melbourne	Nov-03	6,132	B	10,420	9,760	660
Total Victorian properties		250,386		405,970	384,400	26,070

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 17	Investment properties (continued)					Fair value gains/ (losses)
Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2014 \$'000	Fair value at 30 June 2013 \$'000	30 June 2014 \$'000
Western Australia						
Queens Tavern, Highgate	Nov-03	4,812	A	8,000	7,700	300
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	B	4,650	4,480	170
The Brass Monkey Hotel, Northbridge	Nov-07	7,815	B	8,330	8,040	290
Balmoral Hotel, East Victoria Park	Jul-07	6,377	A	6,275	6,050	225
Total Western Australian properties		22,118		27,255	26,270	985
Total investment properties		516,236		821,680	786,000	40,180
Reconciliation of fair value gains/losses for year ending 30 June 2014						
Fair value as at beginning of the year				786,000	771,530	
Disposals during the year				(4,500)	(635)	
Carrying amount before revaluations				781,500	770,895	
Fair value as at end of the year				821,680	786,000	
Fair value gain/(loss) for year				40,180	15,105	

Valuation type and date

- A Independent valuations conducted during June 2014 with a valuation date of 30 June 2014.
- B Directors' valuations conducted during June 2014 with a valuation date of 30 June 2014.
- C Property was sold during the current financial year

ALE Property Group

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 18 Payables		
Trade creditors	237	177
Interest accrued on CIB	538	521
Interest accrued on CMBS	-	918
Interest accrued on AMTN	983	-
Prepaid interest on AMTN received	4,736	-
Interest accrued on interest rate hedges	-	167
Interest accrued on ALE Notes 2	789	1,285
Other accruals	1,240	1,168
	8,523	4,236
Note 19 Provisions		
Provision for distribution	16,145	15,539
Provision for employee entitlements	126	101
	16,271	15,640
<u>Provision for distribution</u>		
Balance at the beginning of the year	15,539	12,789
Provisions made during the year	32,237	31,025
Provisions used during the year	(31,631)	(28,275)
Balance at the end of the year	16,145	15,539
<u>Provision for employee entitlements</u>		
Balance at the beginning of the year	101	46
Provisions made during the year	111	114
Provisions used during the year	(86)	(59)
Balance at the end of the year	126	101

Distribution

The provision for distribution relates to distributions paid to stapled securityholders. The balance at 30 June 2014 will be paid to securityholders on 5 September 2014.

Employee entitlements

The provision for employee entitlements relates to annual leave and long service leave owing to employees. It will be paid out as and when employees take leave.

		2014 \$'000	2013 \$'000
Note 20 Borrowings			
<u>Current borrowings</u>	Note		
ALE Notes 2	(e)	102,383	-
		102,383	-
<u>Non-current borrowings</u>			
CIB	(b)	140,536	136,860
CMBS	(c)	-	157,449
AMTN	(d)	333,515	-
ALE Notes 2	(e)	-	163,350
		474,051	457,659

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$'000	2013 \$'000
Note 20 Borrowings (continued)		
Capital Indexed Bond (CIB)		
Gross value of debt	111,900	111,900
Accumulated indexation	29,501	25,876
Unamortised borrowing costs	(865)	(916)
Net balance	140,536	136,860
<u>Movements for the year</u>		
Opening balance	136,860	134,857
Accumulating indexation	3,625	1,979
Amortisation of establishment costs	51	24
Closing balance	140,536	136,860
Commercial Mortgage Backed Securities (CMBS)		
Gross value of debt	-	160,000
Unamortised borrowing costs	-	(2,551)
Net balance	-	157,449
<u>Movements for the year</u>		
Opening balance	157,449	156,718
Borrowings repaid	(160,000)	-
Borrowing establishment costs capitalised	-	-
Amortisation of establishment costs	2,551	731
Closing balance	-	157,449
Australian Medium Term Notes (AMTN)		
Gross value of debt	335,000	-
Unamortised borrowing costs	(1,485)	-
Net balance	333,515	-
<u>Movements for the year</u>		
Opening balance	-	-
Proceeds from AMTN issue	339,736	-
Prepaid interest on AMTN received	(4,736)	-
Borrowing establishment costs capitalised	(1,387)	-
Discount on issue	(107)	-
Amortisation of establishment costs and discount	9	-
Closing balance	333,515	-
ALE Notes 2		
Gross value of debt	102,597	165,001
Unamortised borrowing costs	(214)	(1,651)
Net balance	102,383	163,350
<u>Movements for the year</u>		
Opening balance	163,350	123,145
Proceeds of borrowings	-	40,000
Borrowings repaid	(62,404)	-
Borrowing establishment costs capitalised	(27)	(907)
Amortisation of establishment costs	1,464	1,112
Closing balance	102,383	163,350

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 20 Borrowings (continued)**CPI Hedge - Terminated in 2013**

Opening balance	-	35,917
Accumulating indexation	-	1,290
Amortisation of establishment costs	-	57
Borrowings repaid	-	(37,264)
Closing balance	-	-

(a) Terms and Repayment Schedule

	Nominal Interest Rate	Maturity Date ¹	30 June 2014		30 June 2013	
			Face Value	Carrying Amount	Face Value	Carrying Amount
CIB	3.4% ²	Nov-2023	111,900	141,401	111,900	137,776
CMBS	BBSW + 2.20%	May-2016	-	-	146,000	146,000
CMBS	BBSW + 3.75%	May-2016	-	-	14,000	14,000
AMTN	4.25%	Aug-2017	110,000	110,000	-	-
AMTN	5.00%	Aug-2020	225,000	225,000	-	-
ALE Notes 2	BBSW + 4.00%	Aug-2014	102,597	102,597	165,001	165,001
			549,497	578,998	436,901	462,777
Unamortised borrowing costs				(2,564)		(5,118)
Total borrowings				576,434		457,659

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing. The CMBS and ALE Notes 2 borrowings had extension provisions as outlined in (c) and (d) below.

2. Interest is payable on the indexed balance of the CIB at a fixed rate.

(b) CIB

\$125 million of CIB was issued in May 2006 of which \$111.9 million face value remains outstanding. 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.

(c) CMBS

On 29 April 2011 \$160 million of CMBS were issued with a scheduled maturity of 20 May 2016.

On 20 June 2014 the outstanding CMBS were redeemed in full in accordance with their terms of issue.

As required by the CMBS issue on 29 April 2011, ALE put in place \$160 million of interest rate hedge contracts to cover 100% of the floating rate CMBS interest payments. Under these hedge contracts, ALE is obliged to receive floating rate interest and pay fixed rate interest. Following the redemption of the CMBS the interest rate hedge contracts were terminated.

(d) AMTN

On 10 June 2014 ALE issued \$335 million AMTNs in 2 tranches. \$110 million with a maturity date of 20 August 2017 and \$225 million with a maturity date of 20 August 2020. The AMTNs are fixed rate securities with interest payable semi annually.

(e) ALE Notes 2

\$125 million of ALE Notes 2 were issued on 30 April 2010, with a scheduled maturity date of 20 August 2014. During the prior period an additional \$40 million of notes were issued with the same maturity date. Under the terms of the issue, ALE had the right to extend the maturity date by one or two years, at which time a redemption premium of \$1 or \$2 respectively becomes due and payable upon maturity. Interest is payable on the ALE Notes 2 on a floating rate basis.

During the period ALE conducted an on-market buyback of ALE Notes 2 at \$101 per note. A total of 624,038 ALE Notes 2 were bought back and cancelled. The remaining ALE Notes 2 are expected to be redeemed on their maturity date of 20 August 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 20 Borrowings (continued)**(f) CPI Hedge**

On 7 December 2007, ALE entered into a 16 year CPI Hedge in respect of the \$245 million of floating rate debt. Under the hedge ALE received floating interest rates plus a margin of 0.2575% and paid a fixed rate of 3.61% on a balance escalating with CPI until November 2023. The CPI Hedge indexation was calculated with reference to the national CPI. The indexation that accumulated was added to the \$245 million notional balance of the CPI Hedge. During the prior period the CPI Hedge was terminated.

(g) Interest rate hedges

At 30 June 2014, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Nominal Interest Rate Hedges		Counter Hedges on Nominal Interest Rate Hedges		Net Derivative Position	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Less than 1 year	-	25,000	-	-	-	25,000
1 - 2 years	-	70,000	-	(106,000)	-	(36,000)
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	-	-	-	-	-	-
Greater than 5 years	280,000	345,000	(30,000)	(54,000)	250,000	291,000
	280,000	440,000	(30,000)	(160,000)	250,000	280,000

The 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.

The average weighted term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE has decreased from 9.7 years at 30 June 2013 to 8.8 years at 30 June 2014.

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 2014, a decrement in value of \$21.203 million was recognised to the Statement of Comprehensive Income (2013: decrement in value of \$25.455 million).

(h) Assets pledged as security

The 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:

	2014 \$'000	2013 \$'000
Current assets		
Cash - CIB/CMBS borrowings reserve	8,390	8,390
Cash - CIB/CMBS Sales Proceeds Account	-	10,150
Cash - Hedging collateral	-	10,000
Non-current assets		
Total investment properties	821,680	786,000
Less: Properties not subject to mortgages Pritchard's Hotel, Mt Pritchard, NSW	(19,600)	(18,910)
Properties subject to mortgages	802,080	767,090
Total assets pledged as security	810,470	795,630

Following the early redemption of the CMBS the cash held within the sale proceeds account was withdrawn. During the prior period the Boundary Hotel was transferred into the security pool and \$19.85 million of cash was withdrawn from the Sale Proceeds Account.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 20 Borrowings (continued)

(i) 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 indexed value of CIB not to exceed 30% of the CIB property security values	ALE cannot borrow additional CIB if doing so would cause the LVR to be exceeded
CIB	Outstanding value of CIB not to exceed 66.6% of the CIB property security values	Counterparty can terminate the CIB
AMTN	Net Priority Debt not to exceed 20% of Net Total Assets	ALE DPT cannot borrow additional secured debt if doing so would cause the LVR to be exceeded
AMTN	Net Finance Debt not to exceed 60% of Net Total Assets	Stapled Security distribution lockup
AMTN	Net Finance Debt not to exceed 65% of Net Total Assets	Note holders may call for notes to be redeemed
ALE Notes 2	New debt cannot be issued, equity cannot be bought back and special distributions cannot be paid if to do so would make total borrowings (total borrowings less cash) exceed 67.5% of total assets (total assets less cash and derivatives). This covenant is not breached by any other action, including a change in the value of ALE's property assets	Stapled Security distribution lockup. A step up margin of 2.0% will be added

Definitions

All covenants exclude the mark to market value of derivatives

Interest Cover Ratio covenants (ICR)

Borrowing	LVR covenant	Consequence
CIB	ALH EBITDAR to be greater than 7.5 times CIB Interest	Stapled security distributions lockup
CIB	ALH EBITDAR to be greater than 5.0 times the CIB interest	Stapled security distributions and ALE Notes 2 interest lockup
AMTN	ALE DPT EBITDA to be greater than or equal to 1.5 times ALE DPT interest expense	Note holders may call for notes to be redeemed
ALE Notes 2	No covenant	Nil

Definitions

Interest amounts include all derivative rate swap payments and receipts
EBITDAR - Earnings before Interest, Tax, Depreciation, Amortisation and Rent

No ICR covenants exist in relation to the various hedging facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 20 Borrowings (continued)

Rating covenant

Borrowing	LVR covenant	Consequence
AMTN	AMTN issue rating to be maintained at investment grade. (ie at least Baa3/BBB-)	Published rating of Ba1/BB+ or lower results in a step up margin of 1.25% to be added to the interest rate payable

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

At all times during the years ended 30 June 2014 and 30 June 2013, ALE and its subsidiaries were in compliance with all the above covenants.

	2014 \$'000	2013 \$'000
Note 21 Contributed equity		
Balance at the beginning of the period	254,080	182,255
Securities issued - Placement	-	40,000
Securities issued - Security Purchase Plan	-	27,024
Securities issued - ALE Executive Performance Rights Plan	-	19
Securities issued - Distribution Reinvestment Plan	3,939	6,253
Costs associated with on-market purchase of securities for the Distribution Reinvestment Plan	(149)	-
Capital raising costs	-	(1,471)
	257,870	254,080
Movements in the number of fully paid stapled securities during the year		
	2014 Number of Stapled Securities	2013 Number of Stapled Securities
Stapled securities on issue:		
Balance at the beginning of the period	194,238,078	159,862,513
Securities issued - Placement	-	18,779,343
Securities issued - Security Purchase Plan	-	12,686,573
Securities issued - ALE Executive Performance Rights Plan	-	8,801
Securities issued - Distribution Reinvestment Plan	1,464,255	2,900,848
Balance at the end of the period	195,702,333	194,238,078

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 21 Contributed equity (continued)**Institutional placement and security purchase plan**

During the prior year ALE Property Group undertook a Placement of stapled securities. These stapled securities were issued at \$2.13 each. In addition a Security Purchase Plan was conducted with the stapled securities issued at \$2.13 each.

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 4.43% 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.

	2014 \$'000	2013 \$'000
Note 22 Retained profits		
Balance at the beginning of the year	113,895	130,039
Profit attributable to stapled securityholders	37,194	14,909
Transfer from share based payments reserve	(81)	(28)
Total available for appropriation	151,008	144,920
Distributions provided for or paid during the year	(32,193)	(31,025)
Balance at the end of the year	118,815	113,895
Note 23 Share Based Payments Reserve		
Balance at the beginning of the year	382	207
Employee share based payments	272	166
Transfer to/(from) Retained Profits on lapsing of Performance Rights	(50)	28
Issue of stapled securities	-	(19)
	604	382

Share based payments are detailed further in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

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 Performance Rights Plan was discontinued in 2012 and replaced with an Executive Stapled Securities Scheme. The following table lists the vested performance rights that remain outstanding at the end of the year.

Performance Rights (PR) Plan

The terms and conditions of outstanding grants are as follows:

Employee	Grant date	Number of PR	Vesting conditions	Contractual life of PRs
Mr A J Slade	1 Jul 2009	8,272	1. Service period 2. Absolute Total Shareholder Return (TSR) 3. Total TSR compared to comparative group	30 Jun 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 2014	Weighted average fair value 2014	Number of performance rights 2013	Weighted average fair value 2013
Outstanding at 1 July	56,990	1.05	65,791	1.05
Granted during period	-	-	-	-
Issued during year	(48,718)	1.27	(8,801)	1.27
Lapsed during year	-	-	-	-
Outstanding at 30 June	8,272	1.05	56,990	1.05

During July 2013 45,200 securities owing to Mr Wilkinson and 3,518 securities owing to Mr Slade were purchased on market to satisfy the delivery of performance rights that had vested on 1 July 2013 following the expiry of the two year delayed delivery period.

Executive Stapled Securities Scheme

For the year ended 30 June 2013 the following table summarises the number of ESSS Rights granted. The number of Stapled Securities awarded was determined by dividing the value of the 2013 grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's 2013 full year statutory financial statements.

	2013 Number	2012 Number
Mr A F O Wilkinson	34,878	43,136
Mr A J Slade	19,092	23,611
Mr M J Clarke	8,825	-
Mr D J Shipway	8,825	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 24 Share based payments (continued)

For the year ended 30 June 2014 the following ESSS Rights were granted to executives under the ESSS. The number of Stapled Securities awarded will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements for the year. The number of securities granted for the current year grants will be determined on 14 August 2014.

	2014 \$	2013 \$
Mr A F O Wilkinson	162,500	79,040
Mr A J Slade	80,000	43,264
Mr M J Clarke	20,000	20,000
Mr D J Shipway	10,000	20,000

The numbers of ESSS Rights outstanding at the end of the financial year is as follows:

	Number ESSS rights 2014	Weighted average fair value 2014	Number of ESSS rights 2013	Weighted average fair value 2013
Outstanding at beginning of the year	101,318	1.58	34,571	1.45
Granted during year	71,620	2.27	66,747	1.65
Vested during year	-	-	-	-
Lapsed during year	-	-	-	-
Outstanding at the end of the year	172,938	1.87	101,318	1.58

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
P J Downes	Non-executive	26 November 2013
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
M J Clarke	Finance Manager and Assistant Company Secretary
D J Shipway	Asset Manager
B R Howell	Company Secretary and Compliance Officer

(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.

	2014 \$	2013 \$
Short term employee benefits	1,818,454	1,619,424
Post employment benefits	98,461	84,622
Other long term benefits	47,726	22,401
Share based payments	272,500	162,304
Termination benefits	-	-
	2,237,141	1,888,751

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

	2014 \$	2013 \$
Note 26 Remuneration of Auditors		
Audit services		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the Group and other audit work under the <i>Corporations Act 2001</i>		
- in relation to current year	180,500	201,000
- in relation to prior year	8,500	-
Total remuneration for audit services	189,000	201,000

Note 27 Related party transactions

(a) Parent entity and subsidiaries

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 2014, the Company received \$3,843,332 of expense reimbursement from the Trust (2013: \$4,056,771), and the Finance Company charged the Sub Trust \$45,368,224 in interest (2013: \$21,112,469).

Peter Warne is a non-executive director of Macquarie Group Limited (Macquarie). Macquarie has provided corporate advice and underwriting services 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) Leases as Lessee

The Company has entered into a 5 year 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:

	2014 \$'000	2013 \$'000
(i) Future minimum lease payments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	123	112
Later than one year but not later than five years	46	154
Later than five years	-	-
	169	266
(ii) Amount recognised in the profit and loss		
Rent expense	114	110

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 28 Commitments (continued)**(b) Leases as lessor**

The Group leases out its investment properties (see note 17)

	2014 \$'000	2013 \$'000
(i) Future minimum lease payments		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	55,223	54,254
Later than one year but not later than five years	237,674	230,921
Later than five years	619,316	687,688
	912,213	972,863
(ii) Amount recognised in the profit and loss		
Rental income	54,187	53,099

The above amounts are based on the assumption of CPI rental increases of 2.50% per annum and a 10% increase in rentals per applicable property at the November 2018 market rent review (10% cap and floor is applicable at this time).

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 if the lease is not renewed, 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, at that time, as determined by the valuation methodology set out in the leases. 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 units of the Sub Trust. The Sub Trust owns 100% of the issued shares of the Finance Company. The Trust owns none of the issued shares of the Company, but is deemed to be its "acquirer" under IFRS.

In addition, the Trust owns 100% of the issued units of ALE Direct Property Trust No.2, which in turns owns 100% of the issued shares 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 members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2013: 100%).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 33 Financial Instruments

(a) Credit risk

ALE's major credit risk is 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 authorised deposit taking institutions.

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	2014 \$'000	2013 \$'000
Receivables	16	2,147	1,377
Derivatives	11	4,108	17,425
Cash and cash equivalents	15	149,963	54,652
		156,218	73,454

Impairment losses

The ageing of trade receivables at balance date was:

	2014 Gross Receivable \$'000		2013 Gross Receivable \$'000	
	Impairment \$'000	Impairment \$'000	Impairment \$'000	Impairment \$'000
Not past due	-	-	-	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	14	-
Past due 121-365 days	-	-	-	-
More than one year	-	-	-	-
	2,147	-	1,377	-

Based on historic default rates, ALE believes that no impairment allowances are necessary in respect of trade receivables as at 30 June 2014, as the receivables relate to tenants assessed by ALE as having good credit history.

(b) Liquidity risk

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

30 June 2014	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	8,523	(8,523)	(8,523)				
CIB	140,536	(230,354)	(2,420)	(2,452)	(5,000)	(15,773)	(204,709)
AMTN	333,515	(424,224)	(7,962)	(7,962)	(15,925)	(150,500)	(241,875)
ALE Notes 2 ¹	102,383	(104,326)	(104,326)	-	-	-	-
Derivative financial instruments							
Interest rate hedges	(4,108)	5,414	448	135	207	(118)	4,742
	580,849	(762,013)	(122,783)	(10,279)	(20,718)	(166,391)	(441,842)

1 - Assumes ALE's rights to extend for a further one or two years are not exercised

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 33 Financial instruments (continued)

30 June 2013	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	4,236	(4,236)	(4,236)	-	-	-	-
CIB	136,860	(250,526)	(2,358)	(2,395)	(4,900)	(15,592)	(225,281)
CMBS	157,449	(183,612)	(4,118)	(4,051)	(8,169)	(167,274)	-
ALE Notes 2 ¹	163,350	(177,732)	(5,631)	(5,539)	(166,562)	-	-
Derivative financial instruments							
Interest rate hedges ²	1,742	785	4,114	3,350	(4,830)	(11,162)	9,313
	463,637	(615,321)	(12,229)	(8,635)	(184,461)	(194,028)	(215,968)

1 - Assumes ALE's rights to extend for a further one or two years are not exercised

2 - Contractual cashflows reported in 2013 Financial Statements contained a transposition error that has been amended

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 (hedges) 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.

Profile

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

	2014 \$'000	2013 \$'000
Derivative financial assets	4,108	17,425
Derivative financial liabilities	-	(18,811)
Borrowings		
CIB	(140,536)	(136,860)
CMBS	-	(157,449)
AMTN	(333,515)	-
ALE Notes 2	(102,383)	(163,350)
	(572,326)	(459,045)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 33 Financial instruments (continued)

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 was performed on the same basis for 2013.

	Statement of Comprehensive Income		Equity	
	100 bps increase \$'000	100 bps decrease \$'000	100 bps increase \$'000	100 bps decrease \$'000
30 June 2014				
Interest rate hedges	3,789	(4,345)	3,789	(4,345)
CIB	-	-	-	-
CMBS	-	-	-	-
AMTN	-	-	-	-
ALE Notes 2	-	-	-	-
	3,789	(4,345)	3,789	(4,345)
30 June 2013				
Interest rate hedges	16,912	(18,752)	16,912	(18,752)
CIB	-	-	-	-
CMBS	-	-	-	-
ALE Notes 2	-	-	-	-
	16,912	(18,752)	16,912	(18,752)

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.

(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.

Profile

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

	2014 \$'000	2013 \$'000
Financial instruments		
Investment properties	821,680	786,000
CIB	(140,536)	(136,860)
	681,144	649,140

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 33 Financial instruments (continued)*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 was performed on the same basis for 2013.

	Statement of Comprehensive Income		Equity	
	100 bps increase \$'000	100 bps decrease \$'000	100 bps increase \$'000	100 bps decrease \$'000
30 June 2014				
Investment properties	8,878	-	8,878	-
CIB	-	-	-	-
	8,878	-	8,878	-
30 June 2013				
Investment properties	7,724	-	7,724	-
CIB	-	-	-	-
	7,724	-	7,724	-

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. Under the terms of the leases on the ALE properties there is no change to rental income should CPI decrease.

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, as the terms of this instrument use CPI rates for the quarters ending the preceding March and December to determine their values at 30 June.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

(e) Fair values

ALE measures and recognises the following financial assets and liabilities at fair value.

Derivative financial instruments

Fair Value hierarchy

The basis for determining fair values is disclosed in Note 4.

The ALE Notes 2 is a traded debt security on the Australian Securities Exchange. The fair value disclosed reflects the market value of the ALE Notes 2 at the balance date.

The fair value of derivative financial instruments (level 2) is disclosed in the balance sheet.

The carrying amounts of receivable, cash, trade and other payables are assumed to approximate their fair values due to their short term nature.

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

	2014			2013		
	Carrying Amount \$'000	Fair Value \$'000	Fair Value Hierarchy	Carrying Amount \$'000	Fair Value \$'000	Fair Value Hierarchy
Financial assets measured at fair value						
Derivatives	4,108	4,108	Level 2	(1,742)	(1,742)	Level 2
	4,108	4,108		(1,742)	(1,742)	
Financial assets not measured at fair value						
Cash and cash equivalents	149,963	149,963	-	54,652	54,652	-
Receivables	2,147	2,147	-	1,377	1,377	-
Other assets	249	249	-	226	226	-
	152,359	152,359		56,255	56,255	
Financial liabilities not measured at fair value						
Trade and other payables	(8,523)	(8,523)	-	(4,236)	(4,236)	-
CIB	(140,536)	(144,663)	Level 1	(136,860)	(136,296)	Level 1
CMBS	-	-	-	(157,449)	(162,236)	Level 1
AMTN	(333,515)	(337,264)	Level 1	-	-	Level 1
ALE Notes 2	(102,383)	(103,623)	Level 1	(163,350)	(167,872)	Level 1
	(584,957)	(594,073)		(461,895)	(470,640)	

Valuation techniques used to derive level 2 fair values

The fair value of derivatives is determined by using counterparty mark-to-market valuation notices, cross checked internally by using a generally accepted pricing model based on discounted cash flows analysis using quoted market inputs (interest rates) adjusted for specific features of the instruments and applying a debit or credit value adjustment based on ALE's or the derivative counterparty's credit worthiness.

Credit value adjustments are applied to mark-to-market assets based on the counterparty's credit risk using the credit default swap curves as a benchmark for credit risk.

Debit value adjustments are applied to mark-to-market liabilities based on the ALE's credit risk using the credit rating of ALE issued by a rating agency for the recent AMTN issue.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

Note 34 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2014 \$'000	2013 \$'000
<u>Result of the parent entity</u>		
Profit for the year	32,193	23,982
Other comprehensive income	-	-
Total comprehensive income for the year	32,193	23,982
<u>Financial position of the parent entity</u>		
Current assets		
Cash	33	29
Receivables	67,009	124,242
Other	-	-
Non current assets		
Investments in controlled entities	275,656	275,656
Total assets	342,698	399,927
Current liabilities		
Payables	789	1,331
Provisions	16,184	15,539
Non current liabilities		
Borrowings	102,383	163,351
Total liabilities	119,356	180,221
Net assets	223,342	219,706
Total equity of the parent entity comprising of:		
Issued units	252,192	248,553
Retained earnings	(28,850)	(28,847)
Total equity	223,342	219,706

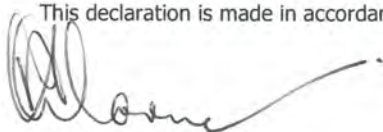
DIRECTORS' DECLARATION

For the Year Ended 30 June 2014

In the opinion of the directors of the Company:

- (a) the financial statements and notes that are set out on pages 20 to 61 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 2014 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;
- (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 2014.
- (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 6th day of August 2014



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), which comprises the statement of financial position as at 30 June 2014, and 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 of the Group comprising the Australian Leisure and Entertainment Property Trust (the Trust) and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of the Trust (the 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 of the Group 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*.

Auditor's opinion

In our opinion:

- (a) the financial report of the 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 2014 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 of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Nigel Virgo
Partner
Sydney
6 August 2014

HAMILTON
HOTEL

Entry

24 HOUR ATM
DEBIT CREDIT
MAY CASH ACCEPTED



Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

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DIRECTORS REPORT

For The Year Ended 30 June 2014

The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2014.

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
P J Downes	Independent non-executive	26 November 2013
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 (2013: nil).

4 Review of operations

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

	30 June 2014 \$	30 June 2013 \$
Revenue		
Expense reimbursement	3,843,332	4,056,771
Interest income	93,199	76,873
Total revenue	3,936,531	4,133,644
Expenses		
Salaries, fees and related costs	2,490,680	2,176,071
Other expenses	1,568,256	1,880,700
Total expenses	4,058,936	4,056,771
Profit/(loss) before income tax	(122,405)	76,873
Income tax expense	16,576	69,187
Profit/(loss) attributable to the shareholders of the Company	(138,981)	7,686
	Cents	Cents
Basic and diluted earnings per share	(0.07)	0.00
Dividend per share for the year	-	-
Net assets per share	7.35	7.32

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.

DIRECTORS REPORT

For The Year Ended 30 June 2014

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 Chairman of OzForex Group Limited and a board member of three other listed entities, being ASX Limited, Macquarie Group Limited and Crowe Horwath Australasia Limited. He is also on the board of NSW Treasury Corporation and Securities Industry Research Centre for Asia Pacific (SIRCA) and is a member of the Advisory Board for the Australian Office of Financial Management.

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

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

Experience and expertise

John was appointed as a non-executive director of the Company in August 2003. John has been a director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property.

Previously an International Director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities. John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

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

Experience and expertise

Helen was appointed as a non-executive director of the Company in September 2003. Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in real estate projects, including development and financing and related taxation and stamp duties.

Helen is the Chair of the Advisory Committee of Screen NSW (formerly Film & Television Office), and is the Statutory and Other Offices Remuneration Tribunal and until very recently was the Local Government Remuneration Tribunal for NSW. Prior appointments include the Boards of several State, university, commercial and charitable entities. 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.

DIRECTORS REPORT

For The Year Ended 30 June 2014

Ms Phillipa Downes, BSc (Bus Ad), MAppFin, GAICD, Non-executive Director.

Experience and expertise

Pippa was appointed a Director on 26 November 2013.

Ms Downes is a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. She is also a director of the Pinnacle Foundation. Ms Downes was a Managing Director and Equity Partner of Goldman Sachs in Australia until October 2011, working in the Proprietary Investment division. Ms Downes has had a successful international banking and finance career spanning over 19 years where she has led the local derivative and trading arms of several of the world's leading Investment Banks. She has extensive experience in Capital Markets, derivatives and asset management.

Prior to joining Goldman Sachs in 2004, Ms Downes was a director and the Head of Equity Derivatives Trading at Deutsche Bank in Sydney. When Morgan Stanley was starting its equity franchise in Australia in 1998 she was hired as the Head of the Equity Derivative and Proprietary Trading business based in Hong Kong and Australia. Ms Downes started her career working for Swiss Bank O'Connor on the Floor of the Pacific Coast Stock Exchange in San Francisco, followed by the Philadelphia Stock Exchange before returning to work in Sydney as a director for UBS.

Pippa graduated from the University of California at Berkeley with a Bachelor of Science in Business Administration majoring in Finance and Accounting. Pippa also completed a Masters of Applied Finance from Macquarie University in 1998.

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 around 35 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 and founding director of the company in June 2003. James has over 20 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 and a Diploma of Law. James is also a registered valuer and licensed real estate agent.

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. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia.

Brendan has over 23 years' experience in the funds management and financial services industries. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts.

For over 14 years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Brendan is a member of the Australian Institute of Company Directors.

DIRECTORS REPORT

For The Year Ended 30 June 2014

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 the Chair of the Australian Trade Commission Audit and Risk Committee and is an audit committee member of the Australian Office of Financial Management, the Defence Materiel Organisation, the Australian Sports Anti-Doping Authority, the National Mental Health Commission, the Australian Maritime Safety Authority and National ICT Australia. David is a director of Australian Settlements Limited and chairman of its audit and risk committee. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and 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	Crowe Horwath Australasia Limited	Non-executive	May 2007	
P H Warne	OzForex Group Limited	Chairman	October 2013	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	

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
P J Downes	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 the end of the year
P H Warne	Non-Executive Director	1,185,000	-	1,185,000
J P Henderson	Non-Executive Director	176,365	-	176,365
H I Wright	Non-Executive Director	150,000	-	150,000
P J Downes	Non-Executive Director	-	213,394	213,394
A F O Wilkinson	Executive Director	168,468	45,200	213,668
J T McNally	Executive Director	-	55,164	55,164
A J Slade	Capital Manager	27,900	-	27,900
M J Clarke	Finance Manager	9,121	2,606	11,727
D J Shipway	Asset Manager	-	4,000	4,000

DIRECTORS REPORT

For The Year Ended 30 June 2014

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed/ Issued during the year	Number held at the end of the year
Performance Rights					
A F O Wilkinson	Executive Director	45,200	-	(45,200)	-
A J Slade	Capital Manager	11,790	-	(3,518)	8,272
ESSS Rights					
A F O Wilkinson	Executive Director	43,136	34,878	-	78,014
A J Slade	Capital Manager	58,182	19,092	-	77,274
M J Clarke	Finance Manager	-	8,825	-	8,825
D J Shipway	Asset Manager	-	8,825	-	8,825

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 2013 and the number of meetings attended by each Director at the time the Director held office during the year were:

Director	Board		ACRMC		Nominations and Remuneration Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
P H Warne	12	12	7	7	6	6
J P Henderson	12	11	7	7	6	6
H I Wright	12	11	7	7	6	6
P J Downes	9	9	4	4	4	4
A F O Wilkinson	12	12	n/a	n/a	n/a	n/a
J T McNally	12	12	n/a	n/a	n/a	n/a

Member of Audit, Compliance and Risk Management Committee

D J Lawler	n/a	n/a	7	7	n/a	n/a
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¹ "Held" reflects the number of meetings which the Director or member was eligible to attend.

DIRECTORS REPORT

For The Year Ended 30 June 2014

9 Remuneration Report (Audited)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2014 for employees of ALE including the directors, the Managing Director and key management personnel.

9.1 Remuneration Objectives and Approach

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

- attracts, rewards and retains high calibre executives;
- motivates executives to achieve performance that creates value for stapled securityholders; and
- links remuneration to performance and outcomes achieved.

The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled securityholders. To do this the Board endeavours to ensure 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 remuneration. Since the year ending 30 June 2012 the variable remuneration has been provided through the Executive Incentive Scheme (EIS). Any award under the EIS is paid 50% in cash at the year end and 50% in stapled securities with delivery deferred three years. The previous long term incentive arrangements (performance rights) have been discontinued.

9.2 Remuneration and Nominations Committee

The Remuneration and Nominations 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 management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2014, the Committee consisted of the following:

P H Warne (Chairman)	Non-executive Director
J P Henderson	Non-executive Director
H I Wright	Non-executive Director
P J Downes	Non-executive Director

Refer page 69 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 71.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Godfrey Remuneration Group Pty Limited to provide remuneration advice and Herbert Smith Freehills to draft updated executive service agreements.

Godfrey Remuneration Group Pty Limited was paid \$25,000 for remuneration advice and Herbert Smith Freehills was paid \$20,643 for drafting of executive service agreements. Herbert Smith Freehills was paid \$17,000 for other no remuneration related services in the current year.

DIRECTORS REPORT

For The Year Ended 30 June 2014

9.3 Executive Remuneration

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

- Fixed Annual Remuneration (FAR)
- Executive Incentive Scheme (EIS)

9.3.1 Fixed Annual Remuneration (FAR)

What is FAR? FAR is the guaranteed salary package of the executive and includes superannuation guarantee levy and salary sacrificed components such as motor vehicles, computers and superannuation.

How is FAR set? FAR is set by reference to external market data for comparable roles and responsibilities within similar listed and unlisted 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 Executive Incentive Scheme (EIS)

What is EIS? EIS is an "at risk" component of executive remuneration.

EIS is used to reward executives for achieving and exceeding annual individual key performance indicators (KPIs).

The target EIS opportunity for executives varies according to the role and responsibility of the executive.

EIS awards comprise 50% cash and 50% deferred delivery stapled securities issued under the Executive Stapled Securities Scheme (ESSS). For executives not invited to participate in the ESSS, the EIS is paid fully in cash.

Executive	Position	Standard EIS Target (as a % of FAR)	% of EIS paid as cash	% of EIS paid as ESSS
Andrew Wilkinson	Managing Director	60%	50%	50%
Andrew Slade	Capital Manager	50%	50%	50%
Michael Clarke	Finance Manager	n/a ¹	50%	50%
Don Shipway	Property Manager	n/a ¹	50%	50%

1. EIS awards are at the discretion of the Committee and the Board

How are EIS targets and objectives chosen? At the beginning of each year, in addition to the standard range of operational requirements, the Board sets a number of strategic objectives for ALE for that year. These objectives are dependent on the strategic opportunities and issues facing ALE for that year and may include objectives that relate to the short and longer term performance of ALE. Additionally, specific KPIs are established for all executives with reference to their individual responsibilities which link to the addition to and protection of securityholder value, improving business processes, ensuring compliance with legislative requirements, reducing risks within the business and ensuring compliance with risk management policies, as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

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

The quantum of EIS payments and awards are directly linked to over or under achievement against the specific KPIs. The Board has due regard to the achievements outlined in section 9.4.

How are EIS awards delivered? EIS cash payments are made in August each year following the signing of ALE's full year statutory financial statements.

The deferred component comprises an award of stapled securities under the ESSS. Any securities awarded under the ESSS are delivered three years after the award date provided certain conditions have been met.

DIRECTORS REPORT

For The Year Ended 30 June 2014

How is the ESSS award calculated?

The number of ESSS Rights awarded annually under the ESSS will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE's full year statutory financial statements, and grossing this number up for the future value of the estimated distributions over the three year deferred delivery period.

What conditions are required to be met for the delivery of an ESSS award?

During the three year deferred delivery period, the delivery of the Stapled Securities issued under the ESSS remains subject to the following clawback tests. ESSS rights will be forfeited in whole or in part at the discretion of the Remuneration Committee if before the end of the deferred delivery period:

- the Committee becomes aware of any executive performance matter which, had it been aware of the the matter at the time of the original award, would have in their reasonable opinion resulted in a lower original award; or
- the executive engages in any conduct or commits any act which, in the Committee's reasonable opinion, adversely affects ALE Property Group including, and without limitation, any act which:
 - results in the ALE having to make any material negative financial restatements;
 - causes the ALE to incur a material financial loss; or
 - causes any significant financial or reputational harm to ALE and/or its businesses.

9.3.3 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	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$425,000	\$240,000	\$196,000	\$186,550	\$100,000	\$90,000
Notice by ALE	6 months	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 service agreement expires on 31 August 2014. On 30 July 2014 Mr Wilkinson signed a new service agreement that starts on 1 September 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, as being \$425,000, to be reviewed annually each 31 December by the Board. An EIS, if earned, would be paid 50% as a cash bonus in August each year and 50% in stapled securities issued under the ESSS and delivered three years following each of the annual grant dates.

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 EIS entitlements as at the date of termination. If employment is terminated in circumstances of redundancy or without cause then he is entitled to an amount of fixed remuneration for six months. In addition he may receive a pro-rata EIS award for the period of employment in the year of redundancy.

DIRECTORS REPORT

For The Year Ended 30 June 2014

9.4 Executive Remuneration outcome for year ended 30 June 2014

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 79.

Executive Incentive Scheme Outcomes

ALE continues to perform well when compared to other Australian real estate investment trusts (AREITs).

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2014.

It was the view of the Committee that all standard KPIs and most of the major items in the Board approved corporate strategy had been met. In particular, it was the Committee's view that the refinancing of the CMBS and ALE Notes 2 with Australian Medium Term Notes (AMTN) had been very successful and the ten month project to implement the refinancing was managed very well. In particular the Committee noted;

Capital Matters

- An investment grade unsecured rating from Moodys of Baa2 was awarded;
- ALE issued one of the first AMTN's ranking behind a secured bond (CIBs);
- ALE issued the only dual tranche AMTN in the market this year;
- The capital management review during the year and the AMTN transaction were internally advised with management reviewing all options and project managing the process. Accordingly the upfront cost was significantly lower than previous refinancings;
- The debt investor market accepted the AMTN issue very well with it being significantly over subscribed;
- Achieved very aggressive market pricing resulting in significant interest expense savings. The refinancing delivered a margin reduction of 1.75% (from 318 to 143 bps) equating savings of \$5.7m p.a.;
- Risk managed the outcome by running a parallel US Private Placement alternative funding process. This applied competitive pressure on the AMTN market and was one of the factors that helped to drive a very positive outcome for AMTN pricing and terms;
- Effective and concentrated road show marketing of ALE by the management team to more than 25 US based and 40 Australian and Asian based debt investors helped to position ALE in a very positive light;
- Funding diversification was achieved. ALE's name is now established and well regarded in the significantly more liquid and flexible AMTN capital market;
- A sophisticated and well executed restructure was completed to materially simplify ALE's long term hedging arrangements; and
- The completion of the AMTN refinancing delivered a diversified, flexible and increasingly simplified capital structure for ALE.

Other matters

- ALE was awarded "AREIT of the Year" from Property Investment Research;
- Sold the Victoria Hotel at Shepparton, Victoria at a low cap rate of 6.3%, delivering a strong value outcome for a property in that regional location;
- Considered a range of investment opportunities;
- Positive investor feedback was received from publication of a Property Portfolio Valuation; and
- Continued to deliver best in AREIT sector total returns for securityholders.

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 EIS result for the Managing Director and Capital Manager particularly reflect the positive contributions they made to the various capital management activities, as outlined above. Other executives contributed to a range of the important and valuable outcomes outlined above that were recognised in the EIS payments made. All the EIS payments are included in staff remuneration expenses in the current year.

The EIS awarded to each member of the management team was as follows:

Executive	EIS			EIS Awarded	Cash Component	ESSS Component
	Target EIS (as % of FAR)	Awarded (as % of FAR)	EIS Awarded as a % of Target			
Andrew Wilkinson	60%	76.5%	127.5%	\$325,000	\$162,500	\$162,500
Andrew Slade	50%	66.7%	133.3%	\$160,000	\$80,000	\$80,000
Michael Clarke	n/a	20.4%	-	\$40,000	\$20,000	\$20,000
Don Shipway	n/a	10.7%	-	\$20,000	\$10,000	\$10,000

DIRECTORS REPORT

For The Year Ended 30 June 2014

ALE Financial Performance History

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

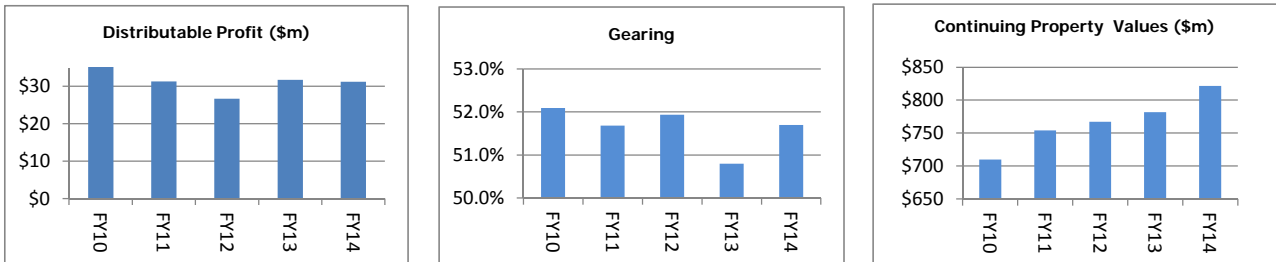
	FY10	FY11	FY12	FY13	FY14
Distributable profit (\$m)	38.1	31.3	26.7	31.7	31.2
Distribution per Security (cents)	24.00	19.75	16.00	16.00	16.45
Continuing property values (\$m)	709.8	753.9	767.2	781.5	821.6
Net gearing ¹	52.1%	51.7%	51.9%	50.8%	51.7%

- 1. Total borrowings less cash as a percentage of total assets less cash and derivatives
- 2. Includes only the value of properties held as at 30 June 2014

The accumulated value of \$1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and current market value of securities as at 1 July 2014 totalled \$7.93.

According to UBS for the period ending 30 June 2014 ALE continued to out perform other equity return benchmarks including the AREIT 200 index and the All ordinaries index for periods including three, five and ten years. For the one year period ALE's return of 15.1% outperformed the AREIT 300 index of 11.1% and was slightly behind the All Ordinaries index of 17.3% p.a.

Growth in the value of the continuing properties between ALE's 2003 IPO and 30 June 2014 has averaged 4.32% p.a. This has exceeded



Accumulated Value for: AREITs \$1.50, All Ords \$2.62, ALE \$7.93¹

1. Distributions include \$0.41 payment for renouncing Sep 2009 rights and all other distributions paid and declared to September 2014

DIRECTORS REPORT

For The Year Ended 30 June 2014

9.5 Disclosures relating to equity instruments granted as compensation

9.5.1 Outstanding equity instruments granted as compensation

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at Grant Date (\$)	Delivery Date	% vested in year	% forfeited in year
Performance Rights							
A J Slade	8,272	1 Jul 09	1 Jul 09	0.91	1 Jul 14	-%	-%
ESSS Rights							
A F O Wilkinson	43,136	23 Aug 12	1 Jul 11	1.65	31 Jul 15	-%	-%
A F O Wilkinson	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
A J Slade	23,611	23 Aug 12	1 Jul 11	1.65	31 Jul 15	-%	-%
A J Slade	34,571	28 Jun 12	1 Jul 10	1.45	31 Jul 14	-%	-%
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	-%	-%

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 movements in performance rights

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

Executive	Granted in year \$ (a)	Vested in year \$ (b)	Lapsed in year \$ (c)	Securities Issued in the year \$	Securities Issued in the year (Number)
A F O Wilkinson	-	-	-	122,193	45,200
A J Slade	-	-	-	9,510	3,518

(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.

9.5.4 Analysis of movements in ESSS rights

The movement during the reporting period, by value and number of ESSS rights over stapled securities in ALE is detailed below.

Executive	Opening Balance	Granted in Year	Stapled Securities Issued in the Year	Lapsed in the Year	Closing Balance
By Value (\$)					
A F O Wilkinson	71,250	79,040	-	-	150,290
A J Slade	89,000	43,264	-	-	132,264
M J Clarke	-	20,000	-	-	20,000
D J Shipway	-	20,000	-	-	20,000
By Number					
A F O Wilkinson	43,136	34,878	-	-	78,014
A J Slade	58,182	19,092	-	-	77,274
M J Clarke	-	8,825	-	-	8,825
D J Shipway	-	8,825	-	-	8,825

DIRECTORS REPORT

For The Year Ended 30 June 2014

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.

The value of ESSS disclosed in section 9.5.4 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined on 14 August 2014.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the Company 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. During the year P J Downes was appointed to the Board which has increased aggregate non-executive directors fees to slightly below this amount. In order to facilitate the continuing Board renewal process shareholders will be asked at the next AGM on 6 November 2014 to approve an increase in aggregate remuneration to \$650,000. The individual directors fees will not change as a result of this increase if it is approved.

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, and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed by Godfrey Remuneration Group Pty Limited in the current financial year. The result of this review was that no changes to fees and payments were made. 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.

The current remuneration was last independently reviewed in January 2014. This resulted in no change to the Fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

	<u>Board</u>		<u>ACRMC</u>		<u>Remuneration Committee</u>	
	<u>Chairman*</u>	<u>Member</u>	<u>Chairman</u>	<u>Member</u>	<u>Chairman</u>	<u>Member</u>
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.

Australian Leisure and Entertainment Property Management Limited

DIRECTORS REPORT

For The Year Ended 30 June 2014

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 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2014 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2013 to 30 June 2014

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2014 are set out in the following table:

Key management personnel		Short term			Post employment benefits	Other long term	Equity based payment			S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees \$	STI Cash Bonus \$	Non monetary benefits \$	Total \$	Superannuation benefits \$		Termination benefits \$	ESSS \$	Total \$	\$	\$
P H Warne	Non-executive Director	160,183	-	-	160,183	14,817	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
H I Wright	Non-executive Director	96,110	-	-	96,110	8,890	-	-	-	105,000	-	-
P J Downes	Non-executive Director	54,847	-	-	54,847	5,073	-	-	-	59,920	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	393,567	162,500	-	556,067	17,775	21,156	-	162,500	757,498	42.9%	21.5%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	212,076	80,000	-	292,076	17,625	12,843	-	80,000	402,544	39.7%	19.9%
M J Clarke	Finance Manager	175,222	20,000	-	195,222	17,266	7,281	-	20,000	239,769	16.7%	8.3%
D J Shipway	Asset Manager	163,949	10,000	-	173,949	17,015	6,446	-	10,000	207,410	9.6%	4.8%
		1,545,954	272,500	-	1,818,454	98,461	47,726	-	272,500	2,237,141		

Table 2 Remuneration details 1 July 2012 to 30 June 2013

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2013 are set out in the following table:

Key management personnel		Short term			Post employment benefits	Other long term	Equity based payment			S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees \$	STI Cash Bonus \$	Non monetary benefits \$	Total \$	Superannuation benefits \$		Termination benefits \$	ESSS \$	Total \$	\$	\$
P H Warne	Non-executive Director	160,550	-	-	160,550	14,450	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
H I Wright	Non-executive Director	96,330	-	-	96,330	8,670	-	-	-	105,000	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	378,888	79,040	-	457,928	16,470	11,310	-	79,040	564,748	28.0%	14.0%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	186,743	43,264	8,737	238,744	16,457	4,353	-	43,264	302,818	28.6%	14.3%
M J Clarke	Finance Manager	162,926	20,000	8,917	191,843	14,561	3,565	-	20,000	229,969	17.4%	8.7%
D J Shipway	Asset Manager	164,029	20,000	-	184,029	14,014	3,173	-	20,000	221,216	18.1%	9.0%
		1,439,466	162,304	17,654	1,619,424	84,622	22,401	-	162,304	1,888,751		

DIRECTORS REPORT

For The Year Ended 30 June 2014

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	45,200
A J Slade	3,518

12 Insurance of officers

During the financial year, the Company paid a premium of \$61,276 (2013: \$53,163) 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 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, in most cases ALE is indemnified by third parties against any remediation amounts likely to be required. ALE does not expect to incur any material environmental liabilities.

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. During the current and previous financial years, no non-audit services were performed by the auditors.

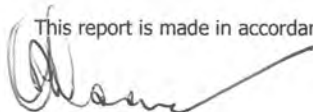
Details of amounts paid or payable to the auditor (KPMG) for audit services provided during the year are set out below:

	30 June 2014	30 June 2013
	\$	\$
Audit services		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the ALE Property Group and other audit work required under the <i>Corporations Act 2001</i>		
• in relation to current year	180,500	201,000
• in relation to prior year	8,500	-
Total remuneration for audit services	189,000	201,000

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 82.

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



Peter H Warne
Director
Sydney

Dated this 6th day of August 2014



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner

Sydney

6 August 2014

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Revenue			
Expense reimbursement	5	3,843,332	4,056,771
Interest income		93,199	76,873
Total revenue		3,936,531	4,133,644
Annual Report and Annual Review		113,570	127,117
Audit, accounting, tax and professional fees		213,334	264,001
Depreciation expense and asset write-offs		16,987	20,883
Insurance		176,801	165,765
Legal fees		65,480	270,837
Occupancy costs		120,086	116,030
Corporate and other expenses		611,820	713,196
Registry fees		147,382	128,643
Salaries, fees and related costs		2,490,680	2,176,071
Staff training		20,488	15,998
Travel and accommodation		82,308	58,230
Total expenses		4,058,936	4,056,771
Profit/(loss) before income tax		(122,405)	76,873
Income tax expense	7	16,576	69,187
		(138,981)	7,686
Profit/(loss) attributable to the shareholders of the Company		(138,981)	7,686
Other comprehensive income		-	-
Other comprehensive income for the year after income tax		-	-
Total comprehensive income for the year		(138,981)	7,686
Profit/(Loss) attributable to:			
Equity holders of the Company		(138,981)	7,686
Minority interest		-	-
Total profit/(loss) for the period		(138,981)	7,686
Comprehensive income attributable to:			
Equity holders of the Company		(138,981)	7,686
Minority interest		-	-
Total comprehensive income for the year		(138,981)	7,686
		Cents	Cents
Basic and diluted earnings/(loss) per share		(0.07)	0.00
Dividends paid and payable per share		-	-

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

Australian Leisure and Entertainment Property Management Limited

STATEMENT OF FINANCIAL POSITION

For The Year Ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents	8	2,391,383	2,454,678
Receivables	9	3,246,458	2,960,586
Prepayments and other assets		248,824	199,658
Total current assets		5,886,665	5,614,922
Non-current assets			
Plant and equipment		30,838	41,679
Investment in related party	10	9,080,010	9,080,010
Deferred tax asset	11	41,377	54,403
Total non-current assets		9,152,225	9,176,092
Total assets		15,038,890	14,791,014
Current liabilities			
Payables	12	535,974	467,277
Provisions	13	126,378	101,065
Total current liabilities		662,352	568,342
Total liabilities		662,352	568,342
Net assets		14,376,538	14,222,672
Equity			
Contributed equity	14	14,759,025	14,606,975
Accumulated losses	15	(986,904)	(766,975)
Reserves	16	604,417	382,672
Total equity		14,376,538	14,222,672
		Cents	Cents
Net assets per share		7.35	7.32

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

Australian Leisure and Entertainment Property Management Limited

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2014

	Share Capital \$	Share based payments reserve \$	Retained Earnings \$	Total \$
2014				
Total equity at the beginning of the year	14,606,975	382,672	(766,975)	14,222,672
Total comprehensive income for the period				
Profit/(loss) for the year	-	-	(138,981)	(138,981)
Other comprehensive income	-	-		
Total comprehensive income for the year	-	-	(138,981)	(138,981)
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Purchase of securities to satisfy units required for Executive Performance Rights Plan		(50,755)	(80,948)	(131,703)
Shares issued - dividend reinvestment plan	152,050	-	-	152,050
Employee share based payments expense	-	272,500	-	272,500
Total equity at the end of the year	14,759,025	604,417	(986,904)	14,376,538
2013				
Total equity at the beginning of the year	12,236,792	206,500	(745,621)	11,697,671
Total comprehensive income for the period				
Profit/(loss) for the year	-	-	7,686	7,686
Other comprehensive income	-	-	-	-
	-	-	7,686	7,686
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Issue of units in ALE Property Trust under ALE Property Group				
Executive Performance Rights Plan	624	10,118	(29,040)	(18,298)
Shares issued - dividend reinvestment plan	206,354	-	-	206,354
Shares issued - placement	1,271,413	-	-	1,271,413
Shares issued - share purchase plan	891,792	-	-	891,792
Employee share based payments expense	-	166,054	-	166,054
Total equity at the end of the year	14,606,975	382,672	(766,975)	14,222,672

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

Australian Leisure and Entertainment Property Management Limited

STATEMENT OF CHANGES IN CASH FLOWS

For The Year Ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Cash flows from operating activities			
Management fee received and expense reimbursements		6,022,182	5,442,718
Payments to suppliers and employees		(6,154,481)	(5,630,476)
Interest received - bank deposits and investment arrangements		75,150	70,925
Net cash inflow/(outflow) from operating activities	8	(57,149)	(116,833)
Cash flows from investing activities			
Payments for plant and equipment		(6,146)	-
Net cash (outflow) from investing activities		(6,146)	-
Cash flows from financing activities			
Shares issued		-	2,163,205
Net cash (outflow) from financing activities		-	2,163,205
Net increase/(decrease) in cash and cash equivalents held		(63,295)	2,046,372
Cash and cash equivalents at the beginning of the year		2,454,678	408,306
Cash and cash equivalents at the end of the year	8	2,391,383	2,454,678

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 2014

Note 1 Basis of preparation

(a) Statement of compliance

Australian Leisure and Entertainment Property Management Limited (the Company) is domiciled in Australia. 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.

The Company is a for-profit entity and is primarily involved in property management industry.

The financial statements were authorised for issue by the Board of Directors on 5th August 2014.

(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 21 - 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 Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 13 *Fair Value Measurement*

AASB 119 *Employee Benefits* (2011)

Annual Improvements to Australian Accounting Standards 2009–2011 Cycle

The adoption of these standards had no material impact on the financial statements.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

(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 or diminishing value 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

(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

Executive Stapled Security Scheme Rights (ESSS)

The grant date fair value of ESSS 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 ESSS rights that vest.

The fair value at grant date is determined as the value of the Executive Incentive Award in the year in which it is awarded. The number of ESS Rights issued annually under the ESSS awarded annually will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements.

Performance Rights

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 may create a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

Note 2 Summary of significant accounting policies (continued)

(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 2013, 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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.

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

Interest rate risk and consumer price index risk

The Company 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 rates. At present the Company has no borrowings outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

	30 June 2014 \$	30 June 2013 \$
Note 5 Expense reimbursements		
Reimbursement of expenses for managing the Head Trust and controlled entities	3,843,332	4,056,771
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 \$6,022,182 (2013: \$5,442,718) disclosed in the statement of cash flows is comprised predominantly of expenses paid for by the Company on behalf of the Trust and other ALE group entities and subsequently reimbursed from the entities. The legal obligations for these expenses are the responsibility of the individual ALE group entities and are not expenses of the Company.		
Note 6 Auditors' remuneration		
Audit services		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the ALE Property Group and other audit work under the <i>Corporations Act 2001</i>		
- in relation to current year	180,500	201,000
- in relation to prior year	8,500	-
Total remuneration for audit services	189,000	201,000
Note 7 Income tax expense/(benefit)		
Current tax expense/(benefit)	3,550	-
Deferred tax expense	13,026	69,187
Income tax expense	16,576	69,187
Decrease/(increase) in deferred tax asset	13,026	69,187
	13,026	69,187
Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	(122,405)	76,873
Tax at the Australian tax rate of 30% (2013: 30%)	(36,722)	23,062
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	42,239	46,125
Non deductible expenses	7,368	-
Under provision in prior years	3,691	-
Income tax expense/(benefit)	16,576	69,187

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

	30 June 2014 \$	30 June 2013 \$
Note 8 Cash and cash equivalents		
Cash at bank (a)	206,919	270,214
Deposits at call (b)	2,184,464	2,184,464
	2,391,383	2,454,678
(a) As at 30 June 2014 the weighted average interest rate earned on cash was 3.64% (2013: 3.84%).		
(b) The deposits represent office occupancy security deposits.		
<i>Reconciliation of profit after income tax to net cash inflows from operating activities</i>		
Profit/(loss) for the year	(138,981)	7,686
Depreciation	16,987	20,883
Non-cash employee benefits expense - share based payments	272,500	166,054
Share based payment securities purchased	(131,703)	-
(Increase)/decrease in receivables	20,042	4,755
(Increase)/decrease in other assets	(49,166)	18,136
(Increase)/decrease in deferred tax asset	13,026	68,062
Increase/(decrease) in loan from related party	(153,864)	(382,629)
Increase/(decrease) in provisions	25,313	54,592
Increase/(decrease) in payables	68,697	(74,372)
Net cash inflows from operating activities	(57,149)	(116,833)
Note 9 Receivables		
Accounts receivable	15,282	53,372
Loan to related party	3,207,052	2,901,138
Interest receivable	24,124	6,076
	3,246,458	2,960,586
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 4.43% 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

	30 June 2014 \$	30 June 2013 \$
Note 11 Deferred tax asset		
Deferred tax assets	41,377	54,403
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in statement of comprehensive income</i>		
Employee benefits	38,256	30,169
Acquisition proposal due diligence	918	1,490
Other accruals	(660)	14,207
Other	(7,235)	(1,822)
Tax losses	10,098	10,359
Net deferred tax assets	41,377	54,403
Movements:		
Opening balance	54,403	123,590
Credited/(charged) to the statement of comprehensive income (Note 7)	(13,026)	(69,187)
Closing balance at	41,377	54,403
Deferred tax assets to be recovered within 12 months	31,279	44,042
Deferred tax assets to be recovered after more than 12 months	10,098	10,361
	41,377	54,403
Note 12 Payables		
Trade creditors	232,418	214,021
Creditor accruals	303,556	253,256
	535,974	467,277
Note 13 Provisions		
Provision for employee entitlements	126,378	101,065
	126,378	101,065
Note 14 Contributed equity		
(a) Share capital		
Issued share capital	14,759,025	14,606,975
(b) Movements in ordinary share capital		
Opening balance	14,606,975	12,236,792
Shares issued - Placement	-	1,271,413
Shares issued - Share Purchase Plan	-	891,792
Shares issued - ALE Executive Performance Rights Plan	-	624
Shares issued - Dividend Reinvestment Plan	152,050	206,354
Balance at the end of the period	14,759,025	14,606,975

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

	30 June 2014 \$	30 June 2013 \$
	No. of shares	No. of shares
Shares on issue		
Opening balance	194,238,078	159,862,513
Shares issued - Placement	-	18,779,343
Shares issued - Share Purchase Plan	-	12,686,573
Shares issued - ALE Executive Performance Rights Plan	-	8,801
Shares issued - Dividend Reinvestment Plan	1,464,255	2,900,848
Closing balance	195,702,333	194,238,078

(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 year the ALE Property Group undertook an institutional Placement of stapled securities. These stapled securities were issued at \$2.13 each. In addition a Security Purchase Plan was conducted with the stapled securities issued at \$2.13 per security. The share capital increase for the Company represents the Company's share of the net proceeds from the new stapled securities issued.

	30 June 2014 \$	30 June 2013 \$
Note 15 Accumulated losses		
Retained losses	(986,904)	(766,975)
Balance at the beginning of the year	(766,975)	(745,621)
Net profit/(loss) attributable to ordinary shareholders	(138,981)	7,686
Transfer from/(to) share based payments reserve	(80,948)	(29,040)
Balance at the end of the year	(986,904)	(766,975)
Note 16 Reserves		
Share-based payments reserve	604,417	382,672
Balance at the beginning of the year	382,672	206,500
Employee share based payments expense	272,500	166,054
Transfer to/(from) Retained Profits	(50,755)	29,040
Issue of stapled securities	-	(18,922)
Balance at the end of the year	604,417	382,672

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

30 June
2014
\$

30 June
2013
\$

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 (2013: 100%).

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 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 2014 \$	30 June 2013 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are		
Within one year	123,173	115,251
Later than one year but not later than five years	45,695	38,703
Later than five years	-	-
	168,868	153,954

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

30 June
2014
\$

30 June
2013
\$

Note 21 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 Performance Rights Plan was terminated in 2012 and replaced with an Executive Stapled Securities Scheme. The following table lists the vested performance rights that remain outstanding at the end of the year.

Performance Rights Plan

The terms and conditions of outstanding grants are as follows:

Employee entitled	Grant date	Number of PRs	Vesting conditions	Contractual life of PRs
Mr A J Slade	1 Jul 2009	8,272	1. Service period 2. Absolute Total Shareholder Return (TSR) 3. Total TSR compared to comparative group	30 Jun 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 2014	Weighted average fair value 2014	Number of performance rights 2013	Weighted average fair value 2013
Outstanding at 1 July	56,990	1.05	65,791	1.05
Granted during year	-	-	-	-
Issued during year	(48,718)	1.27	(8,801)	1.27
Lapsed during year	-	-	-	-
Outstanding at 30 June	8,272	1.05	56,990	1.05

During the year 3,518 stapled securities were delivered to Mr Slade upon expiry of the two year delayed delivery period applicable to the vested rights.

During the year 45,200 stapled securities were delivered to Mr Wilkinson upon expiry of the two year delayed delivery period applicable to the vested rights.

The performance rights outstanding at 30 June 2014 will be issued at nil cost to the employee if and when they vest.

The performance rights value is the assessed fair value at grant date of the performance rights, allocated equally over the period from grant date to vesting date. The fair value at grant date has been independently determined by using a Black-Scholes option pricing model. This technique takes into account factors such as the exercise price, the term of the performance rights, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the performance rights, the security price at grant date and expected price volatility of the underlying security, the expected distribution yield and the risk-free interest rate for the term of the performance rights.

During the previous financial year ALE established the Executive Stapled Security Scheme (ESSS) to replace the Performance Rights Plan. The ESSS entitles key management personnel, subject to performance, to become entitled to acquire stapled securities at nil cost to the employee.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

30 June
2014
\$

30 June
2013
\$

Note 21 Share based payments (continued)

For the year ended 30 June 2013 the following ESSS Rights were awarded. The number of Stapled Securities awarded was determined by dividing the value of the 2013 grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's 2013 full year statutory financial statements.

	Number 2013
Mr A F O Wilkinson	34,878
Mr A J Slade	19,092
Mr M J Clarke	8,825
Mr D J Shipway	8,825

For the year ended 30 June 2014 the following ESSS Rights were granted to executives under the ESSS. The number of Stapled Securities awarded will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements for the year. The number of securities granted for the current year grants will be determined on 14 August 2014.

	2014 \$	2013 \$
Mr A F O Wilkinson	162,500	79,040
Mr A J Slade	80,000	43,264
Mr M J Clarke	20,000	20,000
Mr D J Shipway	10,000	20,000

The numbers of ESSS Rights outstanding at the end of the financial year is as follows:

	Number ESSS rights 2014	Weighted average fair value 2014	Number of ESSS rights 2013	Weighted average fair value 2013
Outstanding at 1 July	101,318	1.58	34,571	1.45
Granted during year	71,620	2.27	66,747	1.65
Vested during year	-	-	-	-
Lapsed during year	-	-	-	-
Outstanding at 30 June	172,938	1.87	101,318	1.58

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 2014 the Company had charged the Trust \$3,843,332 in expense reimbursement (2013: \$4,056,771).

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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
P J Downes	Independent non-executive	26 November 2013
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

(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 2014 \$	30 June 2013 \$
Short term employee benefits	1,818,454	1,619,424
Post employment benefits	98,461	84,622
Other long term benefits	47,726	22,401
Share based payments	272,500	162,304
Total	2,237,141	1,888,751
Share based payments expense in the year		
ESSS rights granted in 2012	-	3,750
ESSS rights granted in 2013	-	162,304
ESSS rights granted in 2014	272,500	-
Total	272,500	166,054

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

	30 June 2014 cents	30 June 2013 cents
Note 24 Earnings per share		
(a) Basic earnings per share		
<i>Attributable to equity holders of the Company</i>		
Basic and diluted earnings per equity holders of the Company	(0.07)	0.00
<i>Attributable to securityholders of the stapled entity</i>		
Basic and diluted earnings per stapled security before financing costs attributable to the Company securityholders divided by the average number of securities	(0.07)	0.00
Basic and diluted earnings per stapled security using realised operating income	(0.07)	0.00
	Number 2014	Number 2013
(b) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating earnings per share	195,437,564	181,563,372
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	195,437,564	181,563,372

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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

	2014 \$	2013 \$
Receivables	39,406	59,448
Cash and cash equivalents	2,391,383	2,454,678
	2,430,789	2,514,126

Impairment losses

	2014		2013	
	Gross Receivables \$	Impairment \$	Gross Receivables \$	Impairment \$
Not past due	39,406	-	44,585	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	14,863	-
Past due 120-365 days	-	-	-	-
More than one year	-	-	-	-
	39,406	-	59,448	-

(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 2014

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes that are set out on pages 82 to 101 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 2014 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.
- (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 2014.
- (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 6th Day of August 2014



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 2014, 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*.

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 Company's financial position as at 30 June 2014 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 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Nigel Virgo
Partner
Sydney
6 August 2014



ALE PROPERTY GROUP



Corporate Governance Statement 2014

Delivering Value

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

The Board of Directors of Australian Leisure and Entertainment Property Management Limited is accountable to stapled securityholders for the performance of ALE

ALE remains committed to maintaining high standards of corporate governance. The Board considers that ALE's corporate governance framework and practices continue to substantially comply with the requirements of the ASX Corporate Governance Council's (ASXCGC) Principles of Good Corporate Governance Principles and Recommendations, 2nd Edition (Principles and Recommendations) and meet the interests of all stakeholders. A range of policies have been further developed and implemented during the year to ensure that ALE substantially complies with the requirements of the ASX Corporate Council's Principles of Good Corporate Governance: Principles and Recommendations, 3rd edition from 1 July 2014. These policies may be viewed on our website (www.alegroup.com.au) This Corporate Governance Statement is effective as at 26 September 2014 and has been approved by the Board.

Principle 1 – Lay solid foundations for management and oversight

Roles of the Board and management

The Board Charter sets out the principles for the operation of the Board. The Board's responsibilities encompass the following:

1. Input to and approving management's development of corporate strategy and performance objectives;
2. Appointing and, where appropriate, removing the Chief Executive Officer;
3. Ratifying the appointment of and, where appropriate, the removal of the Capital Manager, Asset Manager, Finance Manager and Company Secretary
4. Overseeing the operation of ALE, including its controls and accountability systems;
5. Identifying, assessing and ratifying plans to control and manage risks facing ALE, including interest rate risk, liquidity risk and financial covenant compliance, as well as overseeing of all systems of risk management, including risk reporting;
6. Approving the Annual Review, Annual Report, annual budgets and financial plans;
7. Overseeing and monitoring organisational performance and the achievement of ALE's strategic goals and objectives;
8. Monitoring financial performance and liaising with ALE's external auditor;
9. Reviewing and ratifying systems of internal compliance and control, codes of conduct and legal compliance and ensuring systems are in place to deliver compliance with laws, leases, ASX rules and internal policies and procedures as well as reviewing their effectiveness and the causes of identified breaches (if any)'
10. Reviewing capital management strategy formulation including debt and equity raisings, hedging, buybacks and refinancing arrangements;
11. Approving all new policies and procedures relating to the proper functioning of ALE, including all financial and operational matters;
12. Monitoring senior management performance and implementation of strategy as well as ensuring appropriate resources are available and succession plans are in place;
13. Approving and monitoring the progress of major strategic initiatives, including capital expenditure, capital management, acquisitions and divestitures;
14. Enhancing and protecting the reputation of ALE;
15. Reporting to, and communicating with, ALE's securityholders;
16. Approving and monitoring financial and other reporting; and
17. Establishing and maintaining ethical standards.

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

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

In carrying out its responsibilities, the Board undertakes to serve the interests of stapled securityholders, employees, A80 and the broader community honestly, fairly, diligently and in accordance with applicable laws.

Principle 2: Structure the Board to add value

Board composition

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution, the Board Charter and the Corporations Act.

The Board has determined that it is currently appropriate to have six directors, the majority of whom (4), including the Chairman, are independent non-executive directors. John Henderson will retire at the 2014 AGM and Paul Say was recently appointed to fill the vacancy that will be created. Therefore presently there are seven directors, of whom five are classed as independent.

The five non-executive directors, Peter Warne, John Henderson, Helen Wright, Pippa Downes and Paul Say, are independent directors as defined under section 601JA of the Corporations Act, and satisfy the principles of independence as outlined in the Principles and Recommendations. A review of each director's independence is undertaken by tabling any changes in director interests at each and every ALE Board meeting and more formal assessments of independence are undertaken from time to time. Details of the members of the Board, their experience, expertise, qualifications, terms of office, relationships affecting their independence and their independent status are set out in the Directors' Report under the heading "Information on Directors".

The Chairman is selected by the full Board annually at the first meeting following the annual general meeting (AGM), and is to be an independent director in accordance with the Board Charter and ASX Corporate Governance guidelines.

The Company Secretary is appointed by the Board and reports directly to the Board.

New directors are provided with an induction process to enable them to actively participate in Board decision making as soon as possible. The process ensures that the new directors fully understand ALE's financial position, strategies, operations and risk management policies and explains the respective rights, duties, responsibilities and roles of the Board and senior executives.

All new directors have appropriate checks done prior to appointment.

The company has a written agreement with each director setting out the terms of their appointment.

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

Details of the performance evaluation process for management are set out in the Directors' Report in the Annual Report.

The Board appoints a specialist governance adviser every three years to review the performance of the Board and that of directors.

Under the Company's Constitution and the ASX Listing Rules, a director may not hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

If no director would otherwise be required to submit for re-election, but the ASX Listing Rules require that an election of directors be held, the director to retire at the AGM is the director who has been longest in office since their last election.

John Henderson will be retiring and not standing for re-election as a director of the Company at its next AGM.

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

Pippa Downes, who was appointed a director since the last AGM will be standing for election as a director of the Company at its next AGM.

Paul Say, who was appointed a director since the last AGM will be standing for election as a director of the Company at its next AGM.

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

Independence and materiality thresholds

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

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

Peter Warne is also 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.

The following table detail the length of service of each director as at the date of this report:

<u>Name</u>	<u>Appointed</u>	<u>Length of Service</u>
P H Warne (Chairman)	8 September 2003	11.1 years
J P Henderson	19 August 2003	11.1 years
H I Wright	8 September 2003	11.1 years
P G Say	24 September 2014	0.1 Years
P J Downes	26 November 2013	0.8 years
A F O Wilkinson (Managing Director)	16 November 2004	9.9 years
J T McNally	26 June 2003	11.3 years

Independent professional advice

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

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Currently the Board has three standing committees; these are the Remuneration Committee, Nomination Committee, and the Audit, Compliance and Risk Management Committee.

The committees operate principally in a review or advisory capacity. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

All Directors are entitled to attend meetings of the standing committees. Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

Audit, Compliance and Risk Management Committee (ACRMC)

The ACRMC is a standing committee that is composed of five members, being four non-executive independent directors and an independent consultant. Membership of the Committee is based on directors' qualifications, skills and experience.

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

The ACRMC meets at least four times a year.

As the Board comprises 50% or more independent directors, an independent compliance committee has not been appointed. The Board has, however, determined that the ACRMC fulfil this role.

Details of the members of the ACRMC and their attendance at meetings are set out in the Directors' Report in the Annual Report.

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

To ensure appropriate levels of internal control, ALE commissions an annual controls review. Following the completion of that review, Grant Thornton reported to the Board in September 2014 that the standard of controls was assessed as strong.

Remuneration Committee and Nominations Committee

The Remuneration Committee and Nominations Committee are composed of four non-executive independent directors. Peter Warne has been appointed as chairman of the Committee. The other members of the Committee are Helen Wright, Pippa Downes, Paul Say and John Henderson.

One of the Committee's responsibilities is to monitor ALE's policies in respect of Board Renewal and Appointment of Directors, and Diversity for the ALE Property Group. The Committee is currently reviewing candidates as part of the Board's Renewal and Appointment of Directors Policy.

Details of Committee members and their attendance at meetings held are set out in the Directors' Report in the Annual Report.

Board and executive remuneration

Details of Board and executive remuneration are set out in the Directors' Report in the Annual Report.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

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

Trading in securities

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

Directors, employees and their associates may buy or sell ALE securities only during the four week periods commencing the day after:

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

Outside these four week periods are closed periods for trading in ALE Securities, unless exceptional circumstances apply.

All directors and employees are precluded from buying or selling ALE Securities at any time if they are aware of price sensitive information that has not been made public, or at any time while ALE is undertaking a general on-market buyback of that particular type of ALE Security.

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

All directors or employees are entitled to participate in the Distribution Reinvestment Plan on the same terms as other securityholders, except where the Distribution Reinvestment Plan is partly or wholly satisfied by an on-market buyback of ALE Securities, in which case directors and employees are precluded from participating.

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

All directors, officers and employees must disclose their financing arrangements relating to their ALE Securities to the Chairman and must advise if the following circumstances apply:

- the director, officer or employee holds ALE Securities that have been lent, mortgaged or charged to a financier;
- circumstances have arisen in which the financier is entitled or is likely to become entitled to exercise a right under the finance arrangement to demand payment; and
- the director, officer or employee expects that the demand will not be able to be satisfied without the disposal of securities representing 2.5% or more of the total number of issued securities in ALE.

Directors, officers and employees who enter into margin loans or other financing arrangements over ALE Securities are directed to ensure that they have sufficient available cash or other acceptable collateral to meet margin calls, including during a period of extreme sudden market downturn. Directors, officers or employees may not be provided with a clearance by ALE to dispose of ALE Securities that are subject to a margin call.

Details of directors, key management personnel and their associates holdings in ALE Securities are set out in the Directors' Report in the Annual report.

Diversity

The Board has adopted a Diversity Policy for the ALE Property Group, which includes details on how the Board and Nominations Committee take into account the diversity criteria when identifying and assessing potential Director candidates and members of the senior management team.

To the best of its abilities and recognising that ALE has a small team of directors and employees, ALE has attempted to introduce diversity standards to ensure the workplace is fair and flexible, promotes personal and professional growth and enables employees to enhance their contributions to ALE by drawing from their different backgrounds, beliefs and experiences. ALE notes the Principles and Recommendations, however, because ALE comprises a small team of directors and employees, the Board has determined that it will not be setting benchmarks for achieving a certain level of gender diversity, and will not be reporting against its progress to achieve any measurable objective. Nonetheless, ALE is committed to ensuring that the best candidates both at a Board and employee level are appointed as opportunities arise regardless of gender, beliefs or racial background. ALE believes that while this is departure from the Principles and Recommendations, it does not diminish the Group's commitment in principle and fact to ensuring gender diversity.

As at 30 June 2014, ALE's gender diversity may best be summarised as follows:

	Women in role	Total Positions	Percentage
Independent Board positions	2	5	40%
ACRMC positions	2	6	33%
Other committee positions	2	5	40%
Senior management positions	-	4	-
Total women employed in whole organisation	4	12	33%

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

Principle 4: Safeguarding integrity in financial reporting

As mentioned above, the Audit, Compliance and Risk Management Committees consists of four independent non-executive Directors and one external consultant.

Members of the Audit, Risk and Compliance Committee are financially literate and have an appropriate understanding of the industries in which ALE operates.

The Audit, Compliance and Risk Management Committee operates in accordance with a charter. The role of the Committee is to assist the Board in:

- Reviewing ALE's financial statements and financial information to be distributed externally;
- Monitoring the internal control framework, procedures that are designed to ensure compliance with statutory responsibilities and other external reporting requirements, and the adequacy of ALE's risk management framework; and
- Liaising with the external auditor.

In fulfilling its responsibilities, the Committee:

- Receives regular reports from management and the external auditors;
- Regularly meets with the external auditor;
- Reviews the processes the Managing Director and Finance Manager have in place to support their certifications to the Board;
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- Meets separately with the external auditors at least once a year without the presence of management; and
- Provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit, Risk and Compliance Committee or the Chair of the Board.

External Auditors

ALE's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a break down of fees for non audit services, is provided in the Directors' Report and in note 26 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board and the Audit, Compliance and Risk Management Committee.

A representative of the external auditor attends the annual general meeting and is available to answer securityholder questions about the conduct of the auditor and the preparation and content of the audit report.

Principle 5 and 6: Make timely and balanced disclosures and respect the rights of securityholders.

ALE has a Continuous Disclosure Policy which is consistent with the continuous disclosure obligations under the Corporations Act and ASX Listing Rules. The Policy focuses on continuous disclosure of any information concerning ALE that a reasonable person would expect to have a material effect on the price of ALE securities.

Investor relations

ALE is committed to the provision of timely, full and accurate disclosure of material information concerning ALE.

ALE has a Communications Policy that ensures securityholders have equal access to ALE's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The Board encourages full participation of securityholders at the AGM.

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

The rights of ALE's securityholders are set out in the constitution, legal and regulatory requirements. ALE's Communication Policy allows securityholders to effectively exercise these rights through the provision of high quality, relevant and useful information in a timely manner. In this regard securityholders are informed about strategic objectives and major developments through:

- ASX announcements;
- ALE publications including the Annual Review and Annual Report;
- Annual General Meeting;
- ALE Website; and
- The website of ALES's security register, Computershare Investor Services Pty Limited, including a facility for securityholders to amend their particulars.

ALE website

All information provided to the ASX is also posted on the ALE website, www.alegroup.com.au. The ALE website includes various corporate governance documents and policies, such as the Board's Charter, ALE's Code of Conduct and the Audit, Compliance and Risk Management Committee's Charter.

Securityholders are encouraged to make their views known to ALE and to directly raise matters of concern. Securityholders are encouraged to attend the Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting remains the main opportunity for securityholders to comment and to question ALE's Board and management.

Principle 7: Recognise and manage risks

Recognise and manage risks

The Board, through the Audit, Compliance and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management compliance and internal control systems. In summary, ALE's policies are designed to ensure that strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of ALE's business objectives.

Corporate Reporting

The Board has received a declaration from the Managing Director and the Finance Manager, that:

- The financial records for the financial period have been properly maintained in accordance with the Corporations Act;
- ALE's financial reports are complete and present a true and fair view of the financial condition and performance of the Group and are in accordance with relevant accounting standards; and
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- That ALE's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Details of the Remuneration Committee are outlined in the 2014 Annual Report on page 8. The Remuneration Committee operates in accordance with its charter and is responsible for developing and making recommendations to the Board on a remuneration framework for the Chairman, the Board Committees, non-executive Directors, ALE's remuneration and incentive policies and practices for the Managing Director, direct reports to the Managing Director and other senior executives.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration report" on pages 9 to 16. In accordance with ALE's Trading in Securities Policy, participants in equity based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found on ALE's website.

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

ASX Corporate Governance Council Recommendations, 2nd Edition		Reference	Comply
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 1	Y
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	Y
1.3	Companies should provide the information indicated in Guide to Reporting on Principle 1.	Page 1, Remuneration Report	Y
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent Directors.	Page 2	Y
2.2	The chair should be an independent Director.	Page 2	Y
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 2	Y
2.4	The Board should establish a Nomination Committee.	Page 3	Y
2.5	Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Page 4, Remuneration Report	Y
2.6	Companies should provide the information indicated in Guide to Reporting on Principle 2.	Pages 1 - 2, Remuneration Report	Y
ASX Corporate Governance Council Recommendations		Reference	Comply
Principle 3: Promote ethical and responsible decision-			
3.1	Companies should establish a code of conduct and disclose the code or summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Page 4	Y
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Page 5	N
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	N/A	N
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Page 5	Y
3.5	Companies should provide the information indicated in Guide to Reporting on Principle 3.	Pages 4 - 5	Y

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an Audit Committee.	Page 3	Y
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three members. 	Page 3, 6	Y
4.3	The Audit Committee should have a formal charter.	Page 5	Y
4.4	Companies should provide the information indicated in Guide to Reporting on principle 4.	Pages 3,6	Y
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 5	Y
5.2	Companies should provide the information indicated in Guide to Reporting on principle 5.	Pages 5-6	Y
ASX Corporate Governance Council Recommendations		Reference	Comply
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 5	Y
6.2	Companies should provide the information indicated in Guide to Reporting on principle 6.	Pages 5-6	Y
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 6	Y
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Page 6	Y
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 6	Y
7.4	Companies should provide the information indicated in Guide to Reporting on principle 7.	Page 6	Y

Australian Leisure and Entertainment Property Management Limited

CORPORATE GOVERNANCE

For The Year Ended 30 June 2014

Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Page 3	Y
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none">• consists of a majority of independent Directors;• is chaired by an independent chair; and• has at least three members.	Page 3	Y
8.3	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of the executive Directors and senior executives.	Remuneration Report	Y
8.4	Companies should provide the information indicated in Guide to Reporting on principle 8.	Page 4, Remuneration Report	Y



Securityholders

The securityholder information as set out was applicable as at 8 July 2014.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of equity securityholders by size of holding:

Range	Total Holders	Number of Securities	% of Issued Capital
1 – 1,000	597	218,513	0.11
1,001 – 5,000	1,350	4,126,155	2.11
5,001 – 10,000	1,060	8,284,142	4.23
10,001 – 100,000	1,987	50,345,033	25.73
100,001 – 999,999,999	119	132,728,490	67.82
Total	5,113	195,702,333	100.00

The stapled securities are listed on the ASX and each stapled security is comprised of one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The NIVUS have been issued by the Trust to the Company. The number of securityholders holding less than a marketable parcel of stapled securities is 244.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1.	UBS Nominees Pty Ltd	35,785,286	18.29
2.	Woolworths Limited	17,076,936	8.73
3.	HSBC Custody Nominees [Australia] Limited	13,559,732	6.93
4.	Citicorp Nominees Pty Limited	12,396,442	6.33
5.	J P Morgan Nominees Australia Limited	8,579,300	4.38
6.	National Nominees Limited	5,909,734	3.02
7.	Edward Furnival Griffin and Alastair Charles Griffin [Est Jean Falconer Griffin Ac]	2,795,751	1.43
8.	UBS Wealth Management Australia Nominees Pty Ltd	2,391,161	1.22
9.	RBC Investor Services Australia Nominees Pty Limited [APN Account]	2,256,257	1.15
10.	Manderrah Pty Ltd [GJJ Family Account]	2,242,733	1.15
11.	HSBC Custody Nominees (Australia) Limited [GSCO ECA]	2,010,982	1.03
12.	HSBC Custody Nominees (Australia) Limited [Account 3]	1,955,612	1.00
13.	Melic Pty Limited [The Melic Unit Account]	1,448,109	0.74
14.	ABN AMRO Clearing Sydney Nominees Pty Ltd [Custodian Account]	1,378,902	0.70
15.	Neasham Holdings Pty Ltd [The Neasham Account]	1,275,000	0.65
16.	Merlor Holdings Pty Ltd [Basserabie Family Sett Account]	991,877	0.51
17.	John George Whiting and Diana Patricia Whiting	774,250	0.40
18.	BT Portfolio Services Limited [Caergwrle Invest P/L Account]	745,787	0.38
19.	BT Portfolio Services Limited [James Investment Account]	600,939	0.31
20.	BT Portfolio Services Limited [Maxwell Family Account]	600,939	0.31
Totals: Top 20 Holders of Stapled Securities		114,775,729	58.65
Totals: Remaining Holders Balance		80,926,604	41.35

Securityholders continued

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 8 July 2014) are set out below:

Stapled Securityholder	Number Held	Percentage of Voting Rights (%)
Caledonia (Private) Investments Pty Ltd	43,487,908	22.22
Allan Gray Australia (formerly Orbis)	23,453,125	11.98
Woolworths Limited	17,076,936	8.73

D. VOTING RIGHTS

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

(a) Stapled securities

On a show of hands every stapled securityholder present at a meeting in person or by proxy shall be entitled to have one vote and upon a poll each stapled security will have one vote.

(b) NIVUS

Each NIVUS entitles the Company to one vote at a meeting of the Trust. 9,080,000 NIVUS have been issued by the Trust to the Company and 195,702,333 units have been issued by the Trust to stapled securityholders. The NIVUS therefore represent 4.43% of the voting rights of the Trust.

E. EQUITY RESEARCH COVERAGE OF ALE

The following equity research analysts currently cover ALE's stapled securities:

Paul Checchin and Rob Freeman – Macquarie Securities

Scott Molloy – JP Morgan Securities

Adrian Atkins – Morningstar

Fiona Buchanan and Scott Murdoch – CIMB Morgans

Jason Prowd and Jon Mills – Intelligent Investor

Investor Information

The information is provided as a short summary of investor information. Please view our website at www.alegroup.com.au for all investor information.

MAJOR AUSTRALIAN SECURITIES EXCHANGE (ASX) ANNOUNCEMENTS

2014	
5 Sep 2014	Full year distribution payment date
6 Aug 2014	Full Year results, Annual Review / Report and Property Compendium released
25 Jul 2014	Property Valuations increased by 5.1%
15 Jul 2014	Successful refinancing and hedge restructure
19 Jun 2014	Suspension of DRP announced
16 Jun 2014	On-market buy back of ALE Notes 2
13 Jun 2014	Full Year distribution of 16.45 cents declared
29 May 2014	ALE Prices Inaugural AMTN
28 May 2014	ALE reaffirms acquisition and capital management strategies
8 May 2014	Investment Grade Credit Rating Assigned to ALE
8 Apr 2014	Settlement of sale of Victoria Hotel, Shepparton
5 Mar 2014	Caledonia increases substantial holding to 22.22%
5 Mar 2014	Half year distribution payment date
23 Jan 2014	Half Year results released
2013	
16 Dec 2013	Property valuations increased
5 Dec 2013	Half year distribution of 8.20 cents declared
27 Nov 2013	Appointment of Ms Pippa Downes as non-executive Director
12 Nov 2013	Annual General Meeting
12 Nov 2013	ALE celebrates the first 10 years
12 Nov 2013	ALE's perspective on property values
8 Nov 2013	ALE named AREIT of the Year
27 Sep 2013	Annual Report released
25 Sep 2013	Allan Gray reduces substantial holding to 11.98%
16 Sep 2013	Caledonia increases substantial holding to 20.41%
30 Jul 2013	Full year results, property valuations and Annual Review released

STOCK EXCHANGE LISTING

The ALE Property Group (ALE) is listed on the Australian Securities Exchange (ASX). Its stapled securities are listed under ASX code: LEP; stapled security distributions may be paid twice yearly, normally in March and September; and its ALE Notes 2 are listed under ASX code: LEPHC.

DISTRIBUTION REINVESTMENT PLAN

On the 19 June 2014 the Distribution Reinvestment Plan (DRP) was suspended. Directors will monitor ALE's capital position and should circumstances change the DRP may be reactivated in the future. Further details are available on ALE's 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. ALE's property website www.aleproperties.com.au provides further information on the properties.

DISTRIBUTIONS

Stapled security distributions are paid twice yearly, normally in March and September.

SECURITYHOLDER ENQUIRIES

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

ANNUAL TAX STATEMENT

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

PUBLICATIONS

The Annual Review, Annual Report and Property Compendium 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 Annual Report is only mailed on request. Periodically, ALE may also send releases to the ASX covering matters of relevance to investors. These releases are also posted on the ALE website and may be distributed by email to stapled securityholders if they register on ALE's website. The election by holders to receive communications electronically is encouraged by ALE.

REGISTERED OFFICE

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COMPANY SECRETARY

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Tel: +61 2 8231 8588

AUDITOR

KPMG, 10 Shelley Street, Sydney NSW 2000

LAWYERS

Allens Linklaters,
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Corner Hunter and Phillip Streets, 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

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



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