ALE PROPERTY GROUP

Annual Report 2021

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities

Report For the Year ended 30 June 2021

ABN 92 648 441 429

ANNUAL REPORT

2021

ALE Property Group (ASX: LEP)

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 82 pub properties across the five mainland states of Australia. All the properties are leased to Australian Leisure and Hospitality Group Pty Limited (ALH) a wholly owned subsidary of Endeavour Group Limited

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Contents

02	Directors' Report
23	Auditor's Independence Declaration
24	Statement of Comprehensive Income
25	Statement of Financial Position
26	Statement of Changes in Equity
27	Statement of Cash Flows
28	Notes to the Financial Statements
62	Directors' Declaration
63	Independent Auditors Report
68	Investor Information

The Directors of Australian Leisure and Entertainment Property Management Limited (the 'Company') present their report for the year ended 30 June 2021.

The registered office and principal place of business of the Company is Suite 28.02, 245-300 George Street, Sydney NSW.

Directors

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

Robert Mactier

B Ec. MAICD

Independent Non-Executive Chair, Member of the Remuneration and Nominations Committee, Member of the Audit, Compliance and Risk Management Committee.

Appointed: 28 November 2016
Appointed Chair: 23 May 2017

Robert is a Consultant to UBS AG in Australia (since June 2007). Between 2006 and May 2021 he was Chairman of ASX-listed WPP AUNZ Limited. Between 2006 and January 2017 he served as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.

Robert began his career at KPMG and from January 1986 to April 1990 worked across their audit, management consulting and corporate finance practices. He has extensive investment banking experience in Australia, having previously worked for Ord Minnett Securities (now J P Morgan), E.L. & C. Baillieu and Citigroup between 1990 and 2006.

Pippa Downes

BSc (Bus Ad), MAppFin, GAICD

Independent Non-Executive Director, Member of the Remuneration and Nominations Committee, Chair of the Audit, Compliance and Risk Management Committee.

Appointed: 26 November 2013
Appointed Chair of ACRMC: 26 October 2015

Pippa Downes is a respected Non-Executive Director with over 25 years of distinguished career achievements in the international business and finance sector. Pippa currently sits on the board of the Zip Co Limited, Australian Technology Innovators Pty Ltd, Ingenia Communities Group and is a Commissioner of Sport Australia. Pippa is a former Director of the Sydney Olympic Park Authority, Windlab Limited, and of the ASX Clearing and Settlement companies and was a member of the ASX Disciplinary Tribunal.

Pippa has had a successful international banking and finance career and has led the local derivative and investment arms of several of the world's premier Investment Banks. Her most recent role was as a Managing Director and Equity Partner of Goldman Sachs in Australia.

Paul Say

FRICS, FAPI

Independent Non-Executive Director, Chair of the Remuneration and Nominations Committee, Member of the Audit, Compliance and Risk Management Committee.

Appointed: 24 September 2014
Appointed Chair of Remunerations and Nominations Committee on 4 August 2015

Paul has over 35 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Paul was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance. Paul is a director of Frasers Logistic & Industrial Trust (SGX listed), Cedar Wood Limited and was previously a director of GPT Metro Office Fund.

Paul has a Graduate Diploma in Finance and Investment and a Graduate Diploma in Financial Planning. He is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Australian Property Institute and a Licensed Real Estate Agent (NSW, VIC and QLD).

Nancy Milne

OAM, LLB, FAICD

Independent Non-Executive Director, Member of the Remunerations and Nominations Committee, Member of the Audit, Compliance and Risk Management Committee.

Appointed: 6 February 2015

Nancy has been a professional non-executive director for over a decade. She is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance, risk management and corporate governance. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation, and deputy chairman of the State Insurance Regulatory Authority. She is also currently the Chair of the Accounting Professional and Ethical Standards Board. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, FBR Limited, State Plus and Novion Property Group (now Vicinity Centres).

Nancy has a Bachelor of Laws from the University of Sydney.

Michael Triguboff

BA (Syd), LLB (UNSW)

Non-Executive Director, Nominee of Caledonia (Private) Investments Pty Ltd

Appointed: 15 February 2018

Michael is a founding Director of Adexum Capital Limited, a private equity company investing in both public and private mid-market companies. Michael is a Director of Pyrolyx AG, a dual listed German and Australian tyre recycling company.

Michael has a background in equity funds management with groups including MIR, Lazard Asset Management Pacific, and Lazard Asia Funds. He was a global partner of Lazard Freres & Co. He was previously based in the USA and held positions with Quantum Funds and Equity Investments with a focus on principal investments in both public and private companies.

Michael's academic qualifications include; Bachelor of Arts from the University of Sydney, Bachelor of Laws from University of New South Wales, Master of Business Administration from New York University, Master of Business Systems from Monash University, Master of Computer Science from University of Illinois at Urbana - Champaign / Columbia University, and Master of Criminology and Master of Laws from University of Sydney.

Bernard Stanton

B Ec., MBA (UoM)

Non-Executive Director, Nominee of Caledonia (Private) Investments Pty Ltd, Member of the Audit, Compliance and Risk Management Committee.

Appointed: 13 September 2019

Bernard was most recently an Executive Director with the Caledonia funds management group from 2005 to June 2019.

Bernard has more than 40 years senior executive experience in Australia, USA, Europe and Asia.

Bernard holds a Bachelor's degree in Economics from La Trobe University and an MBA from Melbourne University.

Directors

Guy Farrands

Grad Dip Man, FAPI, MAICD

Chief Executive Officer and Managing Director of the Company. Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)

Appointed: 1 October 2020

Guy has over 30 years' experience in direct and listed property markets both in Australia and internationally. His career highlights include: Managing Director and CEO of GEO Property Group (subsequently Villa World Limited), CEO of Valad Property Group, (departing prior to Valad's acquisition of Crownstone / Scarborough) and Chief Financial Officer of Viva Energy REIT. Prior to this his roles included Division Director of the real estate division of Macquarie Bank's Investment Banking Group.

He is also a Non-Executive Director of affordable accommodation provider Aspen Group.

Andrew Wilkinson

B.Bus, CFTP, MAICD

Former Chief Executive Officer and Managing Director of the Company.

Appointed: 16 November 2004
Resigned: 30 September 2020

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.

Other officers

Michael Clarke

B.Com, MMan, CA, ACIS

Company Secretary and Chief Financial Officer. Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)

Appointed: 30 June 2016

Michael joined ALE in October 2006 and was appointed Company Secretary on 30 June 2016. Michael has over 35 years' experience in accounting, taxation and financial management. Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. He has also owned and managed his own accounting practice.

Michael has a Bachelor of Commerce from the University of New South Wales and a Masters of Management from the Macquarie Graduate School of Management. He is an associate member of both the Governance Institute of Australia and the Institute of Chartered Accountants, Australia & New Zealand.

Information on Directors and Key Management Personnel

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 as Director	Resigned as Director
R W Mactier	WPP AUNZ Limited	Non-executive director	December 2006	May 2021
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive director	June 2016	
P G Say	Cedar Woods Limited	Non-executive director	May 2021	
P J Downes	Windlab Limited	Non-executive director	July 2017	June 2020
P J Downes	Ingenia Communities Group	Non-executive director	December 2019	
P J Downes	Zip Co Limited	Non-executive director	October 2020	
N J Milne	FBR Limited	Non-executive director	August 2018	January 2020
M P Triguboff	Pyrolyx AG	Non-executive director	February 2015	
G Farrands	Aspen Group Limited	Non-executive director	November 2012	

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

The following directors, key management personnel and their associates 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
R W Mactier	Non-executive Director	50,000	-	50,000
P J Downes	Non-executive Director	189,110	(111,797)	77,313
P G Say	Non-executive Director	25,000	-	25,000
N J Milne	Non-executive Director	20,000	-	20,000
M P Triguboff	Non-executive Director	-	-	-
B D Stanton	Non-executive Director	-	-	-
G Farrands	Managing Director	-	-	-
A J Slade	Capital Manager	89,398	16,558	105,956
M J Clarke	Chief Financial Officer and Company Secretary	29,601	4,870	34,471

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	Delivered during the year	Number held at the end of the year
<u>ESSS Rights</u>					
A J Slade	Capital Manager	38,053	5,899	(18,475)	25,477
M J Clarke	Finance Manager	15,718	7,079	(4,870)	17,927

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 2021 and the number of meetings attended by each director at the time the director held office during the year were:

	Board		ACRMC		Nominations and	
Director	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended
R W Mactier	11	11	6	6	4	4
P J Downes	11	11	6	6	4	4
P G Say	11	11	6	6	4	4
N J Milne	11	11	6	6	4	4
B D Stanton	11	11	4	4	n/a	n/a
M P Triguboff	11	11	n/a	n/a	n/a	n/a
G Farrands	10	10	n/a	n/a	n/a	n/a
A F O Wilkinson	1	1	n/a	n/a	n/a	n/a

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

Operational and Financial Review

Background

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 82 pub properties across the five mainland states of Australia. All of the properties in the portfolio are leased to Australian Leisure and Hospitality Group Pty Limited (ALH) for an average remaining initial lease term of 7.3 years plus options for ALH to extend.

ALE's high quality freehold pubs have 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 79 of the 82 properties) are as follows:

- For most of the properties the leases commenced in November 2003 with an initial term of 25 years to 2028;
- 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 (three of the 82 properties are double net);
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI;
- Change of control protections – a change in more than 20% of the ownership of ALH requires ALE's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity)
- Assignment protections - following ALE approved assignments, ALE continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 7.3 years, as ALH is not released on assignment;
- All earnings from all improvements on the properties are included for rent review purposes, irrespective of who funded the improvements; and
- There is a full open rent review (no cap and collar) in November 2028.

Highlights

Distributable Income increased by $4.0 million from $30.4 million in 2020 to $34.4 million in 2021 due to higher rental income from CPI increases on properties during the year, backdated rental increases from 2018 on 36 properties that were subject to independent rental determinations received in September 2020 ($1.1 million), lower finance costs ($4.8 million), offset by higher management expenses ($1.7 million).

Statutory net profit increased by $159.2 million from $20.0 million in 2020 to $179.2 million in 2021 largely due to higher Distributable Earnings ($4.0 million) and net valuation gains ($141.3 million), profits on sale of properties ($4.2 million) and lower derivative movements (increment of $6.1 million compared to a decrement of $17.3 million) due to increasing long term interest rates and derivative restructures during the year, offset by higher borrowing cost amortisation ($4.0 million).

Boundary Hotel, Pelican Waters Tavern, Kedron Park Hotel, Edinburgh Castle Hotel, Noosa Reef Hotel and Morwell Hotel were designated non-core assets and sold for an aggregate price of $72.86m. This represented a 24.2% premium to the aggregate book value of these properties. The proceeds of the sales were used to reduce net debt and restructure hedging arrangements.

Net tangible assets per security at 30 June 2021 increased by 24.1% to $3.71 (30 June 2020: $2.98) largely due to net valuation gains on investment property.

Covenant gearing reduced from 41.3% to 36.4% due to lower net borrowings and increased investment property valuations.

On 23 June 2021 the parent entity of ALH, Endeavour Group Limited, was seperately listed on the ASX following the demerger from Woolworths Limited.

On 30 September 2020 Andrew Wilkinson retired as managing director and was succeeded by Guy Farrands.

	30 June 2021	30 June 2020
Profit after income tax for the year	$179.2 million	$20.0 million
Distributable income [1]	$34.4 million	$30.4 million
Distributable earning per stapled security	17.15 cents	15.53 cents
Distributions per stapled security	21.5 cents	20.9 cents
Total Assets	$1,340.0 million	$1,214.9 million
Investment properties	$1,294.3 million	$1,174.2 million
Borrowings	$540.9 million	$551.4 million
Net assets	$743.0 million	$584.6 million
Net tangible assets per security	$3.71	$2.98
Covenant gearing	36.4%	41.3%

1. Distributable income is a non-statutory measure of profit and is calculated as net profit adjusted for specific non-recurring items and non-cash items, and any fair value adjustment to investment properties and derivatives.

Financial Results

	30 June 2021 $'000	30 June 2020 $'000
Revenue		
Rent from investment properties	62,473	61,408
Interest from cash deposits	99	301
Total revenue	**62,572**	61,709
Management expenses - excluding share based payments	(7,665)	(5,944)
Land tax	(3,329)	(3,313)
Finance costs - cash	(17,205)	(22,041)
Distributable income	**34,373**	30,411
Fair value adjustments to investment properties	141,301	10,930
Fair value adjustments to derivatives	6,091	(17,306)
Profit on disposal of investment properties	4,230	-
Employee share based payments	(223)	(204)
Finance costs - non-cash	(6,335)	(3,815)
Income tax expense	(266)	7
Operating profit after tax	**179,171**	20,023
Distribution paid or provided for	42,808	40,916
Distributions made in excess of Distributable Income	**8,435**	10,505
Distribution funded as follows		
Current year distributable profits	34,373	30,411
Distribution reinvestment plan securities issued	12,210	9,857
Capital and surplus cash reserves	(3,775)	648
	42,808	40,916

	Percentage Increase / (Decrease)	30 June 2021 Cents	30 June 2020 Cents
Earnings and distribution per stapled security:			
Basic earnings	783.4%	90.37	10.23
Earnings available for distribution	10.4%	17.15	15.53
Total distribution	2.9%	21.50	20.90
Current year distributable income		17.15	15.53
Securities issued: Distribution reinvestment plan		6.09	4.83
Capital and surplus cash		(1.74)	0.54
		21.50	20.90

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

Investment property portfolio

	30 June 2021	30 June 2020
Investment properties, including assets held for sale	$1,294.3 million	$1,174.2 million
Weighted average adopted yield	4.59%	5.08%
Total number of properties	82	86
Weighted average lease expiry	7.3 years	8.3 Years
Properties sold (includes two properties that sold but did not settle until after 30 June)	6	-
Profit on sale of properties (four properties that settled prior to 30 June 2021)	$4.2 million	-
Premium to aggregate book value	24.2%	-

During the year six properties were sold, four settled prior to 30 June and two will settle after 30 June. The weighted average price received above book value for the six properties was 24.2% and the weighted average initial yield was 4.44%. These properties were identified as non-core following the receipt of the rental determinations late last year. It has been some time since ALE sold properties that are subject to the lease between ALE/ALH and the strong results have highlighted the quality of our portfolio.

Following the receipt of the rental determinations in September 2020 the whole portfolio was independently valued as at 31 December 2020. In June 2021 a sample of 36 properties (44%) were independently valued.

Investment property valuations, including properties held for sale, increased in value during the year by 10.24% from $1,174.1 million to $1,294.3 million. The increase in property valuations was attributable to rent reviews in the current year and a drop in weighted average adopted yield from 5.08% to 4.59%. During the year six properties were sold and the aggregate price was 24.2% above book carrying values.

Independent valuers applied both traditional capitalisation rate and discounted cashflow (DCF) based valuation methods. The valuation results reflect a combination of these methods but continue to place significant emphasis upon the traditional capitalisation rate approach.

ALE believes that the DCF method provides a comprehensive view of the quality of the lease and tenant as well as the opportunities for reversion to market based levels of rent. In applying the DCF method the valuers made their own independent assessment of the tenant's current level of EBITDAR and also adopted industry standard market rental ratios. The valuers also used a range of assumptions they deemed appropriate for each of the individual properties. Based upon their assessments and assumptions the valuers' DCF valuations represented a weighted average yield of around 4.24% for 36 properties valued. This compares to the adopted yield of 4.59% for the portfolio which was derived using a combination of the DCF and capitalisation rate methods.

Capital Management

During the year covenant gearing reduced from 41.3% to 36.4% for the AMTN issuing entity, ALE Direct Property Trust. ALE continues to maintain appropriate headroom to all debt covenants with the nearest covenant trigger equivalent to an average 42% fall in property values.

In August 2020 and June 2021 a series of hedge restructures and terminations were transacted involving an aggregate cash payment to the hedge counterparty banks of $16.9 million. The result of these transactions was to lower the average hedge rates from 3.53% to 2.22%. Apart from the interest rate, the terms of the hedges were not altered and the hedging, covering approximately 100% of drawn debt, has a weighted average term of 4.4 years (5.4 years at June 2020). The weighted average cost of debt (including the impact of interest rate swaps and the new borrowings, which are at rates lower than the borrowings they replaced) reduced from 4.11% at June 2020 to 3.48% at June 2021.

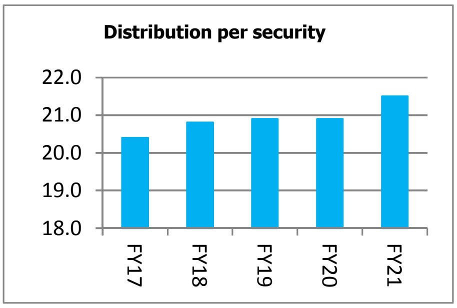
ALE's Distribution Reinvestment Plan (DRP) raised $22.1 million from issuing 4.6 million securities during the year. The DRP is currently suspended.

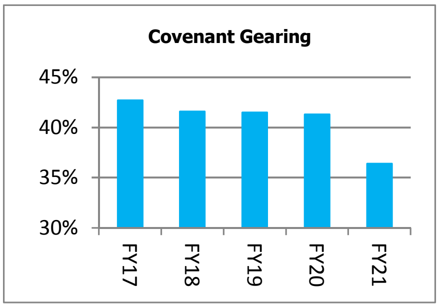
Historical performance

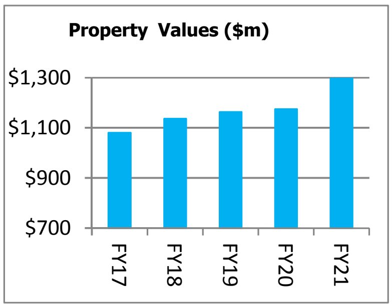
To provide context to ALE's historical performance, the following data and graphs outline a five year history of key financial metrics.

	FY17	FY18	FY19	FY20	FY21
Distributable income $m	29.1	29.0	28.3	30.4	34.4
Distribution per security cents	20.40	20.80	20.90	20.90	21.50
Property values $m	1,080.2	1,136.3	1,163.2	1,174.2	1,294.3
Covenant gearing [1]	42.7%	41.6%	41.5%	41.3%	36.4%

1. Total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity, ALE DPT







Business strategies and future prospects

ALE holds a positive outlook for the rent review prospects for the portfolio. For the sample of properties that were independently valued for June 2021 the extent of under renting has been assessed at 43.5% - this compares to 43.4% on the same properties at December 2020. To determine the extent of under renting of the whole of the portfolio (continuing properties) management used the December 2020 uncapped rents assessed for properties not valued in June 21. This showed that the under renting was 35.6%, slightly increased from December 2020.

Following the release of the rent determinations ALE commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations are not binding on the parties. ALE expects that a decision of the court providing guidance in relation to the rent review provisions in the leases will be relevant to any rent determinations which are undertaken as at November 2028, when an uncapped and uncollared rent review is due for all properties where the tenant has exercised its option to renew the lease for a further ten years.

There are two properties that are currently being marketed for sale (in addition to the six properties already sold) and the portfolio will continue to be reviewed.

Following the receipt of the rent determinations, ALE's Board reviewed the distribution and capital management policy of the Group. In December 2020 ALE announced a distribution guidance of 21.50 cents per security for 2021, representing a 3% increase relative to 2020 distributions. In addition, it is presently expected that distributions following 2021 will be increased by at least CPI.

In determining the appropriate distribution and capital management policies, the Directors considered the specific features of ALE's investment portfolio including:

- a high quality and diversified national pub portfolio with a 87% weighting by value to metropolitan Sydney, Melbourne and Brisbane;
- predominantly triple net leases to a strong tenant;
- long term leases (7.3 year WALE with predominantly 4x10 year options) over strategically important properties;
- predominantly CPI rental increases with a floor;
- the opinion of the statutory valuers regarding the under-renting of the; and
- the expected rent increases at the finalisation of the 2028 uncapped/uncollared rent reviews (where options to renew are exercised).

The Directors also considered, among other things:

- the historically low covenant gearing of ALE, currently 36.4% as at 30 June 2021; and
- the prevailing economic and interest rate environment and outlook for asset values.

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.

COVID-19

The COVID-19 pandemic continues to create economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place over the preceding twelve months. During the current year there have been varying levels of restrictions placed on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

To date there has been minimal impact on ALE's operating performance or financial position. The Directors continue to monitor the situation. During the financial period ALH has been paying rent in accordance with the requirements of the leases.

Significant changes in the state of affairs

In the opinion of the directors, other than matters mentioned above in the Operation and Financial review, no significant changes in the state of affairs of ALE occurred during the year.

Material business risks

ALE is subject to a number of material business risks that may have an impact on the financial prospects of ALE. These risks and how ALE manages them are discussed below.

COVID-19 Risk

Impact: Properties ALE own are operated as pubs and retail liquor outlets. As part of Government measures the operations are subject to various trading restrictions. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, or if ALH does not continue to meet its rental obligations (being a key assumption underlying the property valuations), this may have an adverse impact to the fair value of ALE’s property portfolio and ALE's operating results.

Risk Management Mitigation: The Directors will continue to monitor the business environment to determine if there are any material impacts on ALH's operations that may impact ALE.

Tenant and sector concentration risk

Impact: All 82 of ALE's pub properties are leased to a single tenant, ALH which is owned by Endeavour Group Limited. Endeavour Group Limited listed on the ASX on 24 June 2021, following a demerger from Woolworths Limited and is a top 50 ASX listed company. In addition all properties are utilised as operating pubs and retail liquor outlets. In the event of a default in rental payments by the tenant, ALE may be unable to pay interest on borrowings and distributions to securityholders. If court decides that ALE’s view of the proper interpretation of the leases is incorrect the prospects for ALE may change.

Risk Management Mitigation: ALE manages this risk by monitoring the operating performance of each of the hotels and ALH on a regular basis. ALE will continue to monitor developments concerning ALH closely as the credit profile of ALH may impact ALE's future ability to secure debt finance at competitive credit margins. ALE also has the option of selling properties and/or issuing equity to meet its debt obligations. ALE has commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations are not binding on the parties. ALE expects that a decision of the court providing guidance in relation to the rent review provisions in the leases will be relevant to any rent determinations which are undertaken as at November 2028, when an uncapped and uncollared rent review is due for all properties where the tenant has exercised its option to renew the lease for a further ten years.

Property Valuation Risk

Impact: Properties that ALE owns have values that are exposed to movements in the Australian commercial property markets, changes in rent and the general levels of long and short term interest rates.

Risk Management Mitigation: ALE is unable to control the market forces that impact ALE's property values however ALE monitors the property market to assess general trends in property values. ALE undertakes on-going condition and compliance audits of our properties and has independent valuers perform valuations on at least one third of the property portfolio on an annual basis. Declines in ALE's property values are recorded on the Statement of Comprehensive Income, any decreases in value will have a negative impact on the statutory net profit and net tangible assets per security and in turn the market price of the Group’s securities may fall. Increases in gearing could also reduce headroom to debt covenants. At 30 June 2021 the closest debt covenant would be triggered by a decline of around 42% in property values and a resultant average capitalisation rate of 7.89%. By way of comparison it should be noted that in the last 12 years the highest average capitalisation rate of ALE properties has been 6.60%. ALE considers it currently has sufficient headroom in it's debt covenants.

Refinancing and interest rate risk

Impact: ALE currently has outstanding gross borrowings of $543 million, representing a covenant gearing level of 36.4%. ALE consequently faces refinancing risk as and when borrowings mature and require repayment. Failure, delays or increased credit margins in refinancing borrowings could subject ALE to a number of risks that could potentially impact future earnings. ALE faces the risk of reduced profitability and distributions should interest rates on borrowings increase materially.

Risk Management Mitigation: To mitigate this risk ALE uses fixed rate borrowings and hedges variable rate borrowings for the medium and long term. Existing arrangements effectively hedge ALE's forecasted net debt to November 2025 at weighted average base rates of between 3.48% and 3.53%. ALE proactively staggers debt maturities, continually monitors debt markets, actively seeks to maintain ALE's investment grade credit rating and maintains relationships with diverse funding markets to maximise the opportunity for multiple funding options.

Liquidity risk

Impact: The risk that ALE may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Risk Management Mitigation: ALE monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand as required or debt facility funding available to meet financial liabilities as they fall due. ALE has a long track record of consistently approaching debt markets for refinancing well in advance of the scheduled debt maturity dates.

Regulatory Risk

Impact: Changes to liquor licence regulation or gaming licence regulation could significantly impact the trading performance of the operating businesses of ALH and therefore impact the EBITDAR of ALH. EBITDAR is a key determining factor for rent reviews and therefore could impact on ALE's long term profitability.

Risk Management Mitigation: ALE is unable to control regulatory changes that may impact on the gaming and liquor licences operating in our properties. It monitors the regulatory settings and public debate in each state to determine potential changes and their potential implications for ALE.

Personnel risk

Impact: ALE may be unable to recruit, retain and motivate key personnel.

Risk Management Mitigation: ALE has a small management team and employee base. Key person risk is therefore significant. To mitigate this risk ALE seeks to document all business and operating processes and ensure the management team have cross functional capabilities where possible. Where functions require specialised skills, external consultants can be engaged to cover functions if required.

Environmental (including climate risk), social and economic risk

Impact: The risk that our operating and investment activities, or those of our tenant, give rise to unintended environmental (including climate change), social (including problem gambling and alcohol) and economic consequences.

Risk Management Mitigation: ALE strives to minimise the impacts of its business and operating decisions on the environment, society and the economy. Outside the rights included in the leases and other agreements, ALE is unable to control the operations of ALH that may have a negative impact from the operations at our properties but monitors these potential impacts and liaises with ALH to seek to understand the actions they are taking to mitigate any consequences.

Matters Subsequent to the End Of The Financial Year

The COVID-19 pandemic and lockdowns subsequent to year end continues to create unprecedented economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place. ALE continues to receive rental income in accordance with the agreed lease arrangements with ALH.

The Noosa Reef Hotel that sold prior to 30 June 2021 for $11.3 million settled on 26 July 2021. The Boundary Hotel is due to settle on 10 September 2021.

Prior to issuing this report, management consulted with the independent valuers who undertook the valuations as at 30 June 2021 as to whether any events subsequent to balance date have changed their view of the 30 June 2021 valuations. The independent valuers and management are of the opinion that appropriate considerations have been made at 30 June and there has been no changes to the valuations subsequent to balance date.

In the opinion of the Directors of the Company, other than the above, 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.

Likely Developments and Expected Results of Operations

ALE will continue to maintain a strategy of preserving and enhancing the profitability and value of its portfolio of properties for the benefit of its stapled securityholders.

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

REMUNERATION REPORT (Audited)

The Remuneration Report presented below is the remuneration report included in the Directors' Report of Australian Leisure and Entertainment Property Management Limited (the "Company"). This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2021 for employees of ALE including the directors, the Managing Director and key management personnel. This information has been audited as required by section 308(3C) of the Act.

Remuneration Objectives and Approach

In determining a remuneration framework, the Board aims to ensure the following:
- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- link 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;
- recognises individual executive's contributions towards value accretive outcomes when measured against Key Performance Indicators (KPIs); 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 following the year end and 50% in stapled securities with delivery deferred for three years.

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 2021, the Committee consisted of the following:

P G Say	Non-executive Director	Chair of Committee
P J Downes	Non-executive Director	
N J Milne	Non-executive Director	
R W Mactier	Non-executive Director	

Page 2 to 4 provides information on the skills, experience and expertise of the Committee members.

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

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee engaged Ferguson Partners to review remuneration.

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)

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 usually reviewed in December each year with any changes being effective from 1 January of the following year.

		2021	2020
FAR outcomes for the year?	Guy Farrands	**$485,000**	-
	Andrew Wilkinson [1]	**-**	$495,126
	Andrew Slade [2]	**$279,618**	$279,618
	Michael Clarke	**$300,000**	$300,000

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 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
Guy Farrands	Managing Director	60%	50%	50%
Andrew Wilkinson	Managing Director	60%	50%	50%
Andrew Slade	Capital Manager	50%	50%	50%
Michael Clarke	Chief Financial Officer and Company Secretary	n/a[3]	50%	50%

How are EIS targets and objectives chosen?

At the beginning of each financial 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 below.
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 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 ALE having to make any material negative financial restatements; · causes ALE to incur a material financial loss; or · causes any significant financial or reputational harm to ALE and/or its businesses. • there is no service period condition over the deferred delivery period except if the employee leaves within six months of grant date then the remaining unvested ESSS would lapse

Summary of Key Contract Terms

Contract Details

Executive	Guy Farrands	Michael Clarke
Position	Managing Director	Chief Financial Officer and Company Secretary
Contract Length	Ongoing	Ongoing
Notice by ALE	6 months	3 months
Notice by Executive	6 months	3 months

Managing Director

Mr Farrands has signed a service agreement that commenced on 1 October 2020. The current base salary, inclusive of superannuation, is $485,000 and is 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 Mr Farrands 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.

Executive Remuneration outcome for year ended 30 June 2021

Fixed Remuneration Outcomes

Fixed Remuneration for all executives was reviewed effective 1 January 2021. No increases were awarded to executives. On 1 July 2021 Michael Clarke was awarded an increase to $330,000 in recognition of becoming Chief Financial Officer during the year.

Executive Incentive Scheme Outcomes

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2021. It was assessed by the Committee that a number of the key performance indicators (KPIs) were met and others were not. In particular the Committee noted:

Property and Strategic Matters

- Performed an analysis of the investment property portfolio to highlight the longer term total returns of the portfolio and identify non-core properties;
- Successfully marketed six properties that were sold during the period that achieved sales prices that were 24.2% in excess of book values;
- Following the receipt of rent determinations during the year, management performed a detailed review and analysis of the determinations and subsequently launched legal action in the Supreme Court of Victoria to have the Victorian rental determinations set aside.

Capital Matters

- Management implemented a $250 million refinancing by putting in place a $150 million floating rate AMTN and $100 million of bilateral bank loans with two local and one international bank at lower margins than the existing debt facility;
- The new bank loans expanded the sources of debt available to ALE to provide a more flexible debt structure;
- Successfully implemented a series of derivative hedge restructures and terminations to reduce interest expense over the medium term.

The remuneration committee considered these achievements and compared them to key performance indicators for each executive that were set at the beginning of the financial year. Individual executives contributed to the valuable outcomes outlined above and this was recognised in the EIS payments made. All the EIS payments are included in the 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 Awarded (as % of FAR)	EIS Awarded as a % of Target	EIS Awarded	Cash Component	ESSS Component
Guy Farrands	60%	60.0%	100.0%	$291,000	$145,500	$145,500
Andrew Wilkinson [4]	60%	51.0%	85.0%	$63,129	$63,129	-
Andrew Slade	50%	42.5%	85.0%	$118,837	$118,837	-
Michael Clarke	n/a	26.7%	n/a	$80,000	$40,000	$40,000

Consequences of performance on securityholder wealth

In considering the Group's performance and benefits to securityholder wealth, the committee had regard to a number of performance indicators in relation to the current and previous financial years.

Remuneration for the year

2021	Short term: Salary & Fees $	Short term: STI Cash Bonus $	Post employment benefits: Super-annuation $	Annual and Long Service Leave $	Termination Benefits $	Equity based payment: ESSS $	Total $
Andrew Wilkinson [1]	355,074	63,129	16,270	145,355	-	-	579,828
Guy Farrands [5]	346,575	145,500	17,175	122	-	145,500	654,872
Andrew Slade [7]	257,923	118,837	21,694	2,345	193,961	-	594,760
Michael Clarke	278,306	40,000	21,694	1,806	-	40,000	381,806
	1,237,878	367,466	76,833	149,628	193,961	185,500	2,211,266

2020	$	$	$	$	$	$	$
Andrew Wilkinson	469,674	148,538	21,003	11,300	-	148,538	799,053
Andrew Slade	237,446	25,000	19,699	6,902	-	25,000	314,047
Michael Clarke	267,713	30,000	21,003	10,227	-	30,000	358,943
Don Shipway	53,144	-	5,049	-	-	-	58,193
	1,027,977	203,538	66,754	28,429	-	203,538	1,530,236

	2021		2020	
	At risk element %	Value of equity based payment as proportion %	At risk element %	Value of equity based payment as proportion %
Andrew Wilkinson [1]	10.9%	-	37.2%	18.6%
Guy Farrands [5]	44.4%	22.2%	-	-
Andrew Slade [7]	20.0%	-	15.9%	8.0%
Michael Clarke	21.0%	10.5%	16.7%	8.4%

Disclosures relating to equity instruments granted as compensation

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 ($)	Approximate Delivery Date	% vested in year	% forfeited in year
ESSS Rights							
A F O Wilkinson[6]	29,951	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A F O Wilkinson[6]	10,967	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
A F O Wilkinson[6]	35,049	9 Feb 21	1 Jul 19	4.24	31 Jul 23	Nil	Nil
A J Slade [6]	14,095	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A J Slade [6]	5,483	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
A J Slade [6]	5,899	9 Feb 21	1 Jul 19	4.24	31 Jul 23	Nil	Nil
M J Clarke	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
M J Clarke	8,225	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
M J Clarke	7,079	9 Feb 21	1 Jul 19	4.24	31 Jul 23	Nil	Nil
D J Shipway [6]	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
D J Shipway [6]	1,097	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil

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.

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 Delivered in the Year	Lapsed in the Year	Closing Balance	Securities Delivered in the year - value paid $
By Value ($)						
A F O Wilkinson [6]	332,735	148,538	(139,965)	-	341,308	152,342
A J Slade [6]	168,062	25,000	(75,872)	-	117,190	82,581
M J Clarke	70,000	30,000	(20,000)	-	80,000	21,768
D J Shipway [6]	30,000	-	(12,500)	-	17,500	13,606
By Number						
A F O Wilkinson [6]	75,000	35,049	(34,082)	-	75,967	
A J Slade [6]	38,053	5,899	(18,475)	-	25,477	
M J Clarke	15,718	7,079	(4,870)	-	17,927	
D J Shipway [6]	6,764	-	(3,044)	-	3,720	

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

A summary of directors, key management personnel and their associates holdings in stapled securities and ESSS interests in ALE is shown on page 6.

Equity based compensation

The value of ESSS above 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 during the five trading days finishing on 11 August 2021.

Non-executive Directors' Remuneration

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 29 October 2019 was $850,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were last reviewed in the 2020 financial year. The results of this review are shown in the fees listed below. 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.

Remuneration Structure

ALE's 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 reviewed in January 2020. This resulted in no changes to the fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

	Board		ACRMC		Remuneration amd Nominations Committee	
	Chairman	Member	Chairman	Member	Chairman	Member
Board and Committee Fees	$195,000	$95,000	$15,000	$10,000	$15,000	$5,000

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

Remuneration for the year ended 30 June 2021

	2021			2020		
	Base Fee $	Super-annuation $	Total $	Base Fee $	Super-annuation $	Total $
R W Mactier	178,082	16,918	195,000	178,082	16,918	195,000
P J Downes	105,023	9,977	115,000	105,023	9,977	115,000
P G Say	120,000	-	120,000	120,000	-	120,000
N J Milne	100,457	9,543	110,000	100,457	9,543	110,000
M P Triguboff	95,000	-	95,000	95,000	-	95,000
B D Stanton [8]	95,093	9,034	104,127	69,200	6,574	75,774
Total	693,655	45,472	739,127	667,762	43,012	710,774

Footnotes for Remuneration Report

1. Andrew Wilkinson resigned as Managing Director on 30 September 2020. His employment ended on 31 March 2021 after the six months notice period concluded under the terms of his service contract.
2. Package is based on a four day week.
3. EIS awards are at the discretion of the Committee and the Board
4. Based on period as Managing Director to 30 September 2020.
5. Guy Farrands was appointed Managing Director on 1 October 2020.
6. No longer employed with ALE but at the discretion of the Board outstanding ESSS rights remain active and may be issued when they vest.
7. Andrew Slades position was made redundant effective 1 July 2021. The termination benefit amounting to $193,961 disclosed was paid on 1 July 2021.
8. Bernard Stanton was appointed a Director on 13 September 2019 and appointed to the ACRMC in August 2020.

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 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 financial year some non-audit services were performed by the auditors.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the ACRMC to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

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

	30 June 2021 $	30 June 2020 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group		
and other audit work required under the *Corporations Act 2001*		
- in relation to current year	194,458	175,575
- in relation to prior year	-	-
Total remuneration for audit services	**194,458**	**175,575**
Other services		
KPMG Australian firm:		
Other services	7,244	-
Total other services	**7,244**	**-**
Total remuneration	**201,702**	**175,575**

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 2021 security	30 June 2020 security	30 June 2021 $'000	30 June 2020 $'000
Final Trust income distribution for the year ended 30 June 2021 to be paid on 6 September 2021	**10.75**	10.45	**21,544**	20,458
Interim Trust income distribution for the year ended 30 June 2021 paid on 5 March 2021	**10.75**	10.45	**21,264**	20,458
Total distribution for the year ended 30 June 2021	**21.50**	20.90	**42,808**	40,916

No provisions for or payments of Company dividends have been made during the year (2020: nil).

Stapled Securities Under Option

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

Stapled Securities Issued on the Exercise of Options

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

Insurance of Officers

During the financial year, the Company paid a premium of $1,040,000 (2020: $393,600) to insure the directors and officers of the Company. The auditors of the Company are not indemnified out of the assets of the Company.

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

Environmental Regulation

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 (Hendon, Gateway and Burvale Hotels) low levels of hydrocarbons are present and ongoing testing and monitoring is being undertaker and minor remediation work is required, however, in most cases ALE is indemnified by third parties. ALE does not expect to incur any material environmental liabilities.

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 23.

Rounding Of Amounts

ALE is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument to the nearest thousand dollars, unless otherwise indicated.

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

Robert Mactier
Chairman

Guy Farrands
Managing Director

Dated this 4th day of August 2021

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of ALE Property Group (comprising Australian Leisure and Entertainment Property Trust and its controlled entities including ALE Direct Property Trust, ALE Finance Company Pty Limited and Australian Leisure and Entertainment Property Management Limited) for the financial year ended 30 June 2021 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

Eileen Hoggett

Partner

Sydney

4 August 2021

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue			
Rent from investment properties	4.1	62,473	61,408
Interest from cash deposits	4.1	99	301
Total revenue		**62,572**	61,709
Other income			
Fair value increments to investment properties	2	141,301	10,930
Fair value increments to derivatives - net	4.1	6,091	-
Profit on sale of investment properties	4.1	4,230	-
Total other income		**151,622**	10,930
Total revenue and other income		**214,194**	72,639
Expenses			
Fair value decrements to derivatives - net	3.2	-	17,306
Finance costs (cash and non-cash)	4.2	23,540	25,856
Queensland land tax expense		3,329	3,313
Management and administration expenses		7,888	6,148
Total expenses		**34,757**	52,623
Profit before income tax		**179,437**	20,016
Income tax expense/(benefit)	4.3	266	(7)
Profit after income tax		**179,171**	20,023
Profit attributable to stapled securityholders of ALE		**179,171**	20,023
Other comprehensive income		**-**	-
Other comprehensive income for the year after income tax		**-**	-
Total comprehensive income for the year		**179,171**	20,023
Profit/(Loss) attributable to:			
Members of ALE		179,171	20,023
Non-controlling interest		-	-
Profit/(Loss) for the year		**179,171**	20,023
Total comprehensive income attributable to:			
Members of ALE		179,171	20,023
Non-controlling interest		-	-
Total comprehensive income for the year		**179,171**	20,023
		Cents	**Cents**
Basic earnings per stapled security	4.6	90.37	10.23
Diluted earnings per stapled security	4.6	90.14	10.22

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

STATEMENT OF FINANCIAL POSITION

As At 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	3.5	43,621	39,568
Investment properties held for sale	2	68,886	-
Receivables		278	80
Other		1,681	709
Total current assets		**114,466**	40,357
Non-current assets			
Investment properties	2	1,225,375	1,174,160
Plant and equipment		12	25
Right of use asset		-	34
Deferred tax asset		122	306
Total non-current assets		**1,225,509**	1,174,525
Total assets		**1,339,975**	1,214,882
Current liabilities			
Payables		5,336	6,047
Employee benefits	5.1	202	292
Lease liability		-	42
Distribution payable		21,544	20,458
Total current liabilities		**27,082**	26,839
Non-current liabilities			
Borrowings	3.1	540,894	551,412
Derivatives	3.2	29,015	52,030
Total non-current liabilities		**569,909**	603,442
Total liabilities		**596,991**	630,281
Net assets		**742,984**	584,601
Equity			
Contributed equity	3.3	280,185	258,118
Reserve		779	804
Retained profits		462,020	325,679
Total equity		**742,984**	584,601
		$	$
Net assets per stapled security		**$3.71**	$2.99
Net tangible assets per stapled security		**$3.71**	$2.98

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2021

	Share Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total $'000
2021				
Total equity at the beginning of the year	**258,118**	**804**	**325,679**	**584,601**
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	179,171	179,171
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	179,171	179,171
Equity:				
Securities issued under the ALE Distribution Reinvestment Plan	22,067	-	-	22,067
Employee share based payments	-	223	-	223
Securities purchased - Employee share based payments	-	(248)	(22)	(270)
Distribution paid or payable	-	-	(42,808)	(42,808)
Total equity at the end of the year	**280,185**	**779**	**462,020**	**742,984**

	Share Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total $'000
2020				
Total equity at the beginning of the year	258,118	782	346,669	605,569
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	20,023	20,023
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	20,023	20,023
Equity:				
Adjustment on initial application of AABS 16	-	-	(27)	(27)
Employee share based payments	-	204	-	204
Securities purchased - Employee share based payments	-	(182)	(70)	(252)
Distribution paid or payable	-	-	(40,916)	(40,916)
Total equity at the end of the year	258,118	804	325,679	584,601

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Receipts from tenant and others	68,723	67,600
Payments to suppliers and employees	(19,982)	(15,051)
Interest received - bank deposits	114	339
Net interest received - interest rate hedges	-	721
Borrowing costs paid	(16,688)	(26,189)
Net cash inflow from operating activities	**32,167**	27,420
Cash flows from investing activities		
Net proceeds from disposal of properties	25,430	-
Net cash inflow from investing activities	**25,430**	-
Cash flows from financing activities		
Capitalised borrowing costs paid	(1,853)	(4,926)
Repayment of borrowings	(265,000)	(225,000)
Proceeds from borrowings	250,000	250,000
Hedge restructure/termination payments	(16,924)	-
Lease payments	(112)	(121)
Distributions paid [1]	(19,655)	(40,916)
Net cash inflow/(outflow) from financing activities	**(53,544)**	(20,963)
Net increase/(decrease) in cash and cash equivalents	**4,053**	6,457
Cash and cash equivalents at the beginning of the year	39,568	33,111
Cash and cash equivalents at the end of the year	**43,621**	39,568

1. In the current year an amount of $22.067 million in distributions were satisfied through the issue of securities under the ALE Distribution Reinvestment Plan

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

	2021 $'000	2020 $'000
Profit for the year	179,171	20,023
Plus/(less):		
Fair value (increments) to investment property	(141,301)	(10,930)
Fair value decrements to derivatives	(6,091)	17,306
Profit on sale of properties	(4,230)	-
Finance costs amortisation	4,940	907
CIB accumulated indexation	1,395	2,908
Share based payments expense	223	204
Share based payments securities purchased	(270)	(252)
Depreciation	117	116
Decrease/(increase) in -		
Receivables	(198)	96
Deferred tax assets	184	(10)
Other assets	(972)	(359)
Increase/(decrease) in -		
Payables	(711)	(2,587)
Provisions	(90)	(2)
Net cash inflow from operating activities	**32,167**	27,420

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

1. About this report

Reporting Entity

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. 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 2020 to 30 June 2021.

The stapled securities of ALE are quoted on the Australian Securities Exchange under the code LEP and comprise one unit in the Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and 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.

Statement of compliance

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.

The consolidated financial statements were authorised for issue by the Board of Directors on 4^{th} August 2021.

Basis of preparation

The Financial Report has been prepared on an historical cost basis, except for the revaluation of investment properties and certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are represented in Australian dollars, unless otherwise noted.

COVID-19 Disclosures

The COVID-19 pandemic continues to create economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place. During the current year there have been varying levels of restrictions placed on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

To date there has been minimal impact on ALE's operating performance or financial position. The Directors continue to monitor the situation. During the financial period ALH has been paying rent in accordance with the requirements of the leases.

Our investment properties are used by ALH as operating pubs and retail liquor outlets. In accordance with Government emergency measures the operating pubs have been subject to various levels of restrictions since the start of the pandemic. The Directors will continue to monitor the business environment to determine if there are any material impacts on ALH's operations that may impact ALE. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, or if ALH does not continue to meet its rental obligations (being a key assumption underlying the property valuations), this may have an adverse impact to the fair value of ALE's property portfolio.

1. About this report

As at 30 June 2021, the Group had net working capital of $87.4 million, no debt maturities until August 2022 and minimal capital commitments. The directors have prepared projected cash flow information from balance date to 12 months from the date of these financial statements taking into consideration the continued minimal business impacts of COVID-19 on ALE. The Directors have also considered the potential impacts if conditions change and if ALE's business is impacted.

Based on these forecasts, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that the Group is expected to continue to operate, with headroom, within available cash levels and the terms of its debt facilities.

Rounding of amounts

ALE is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Accounting 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.

Accounting estimates and judgements	Note
Investment property	2
Financial instruments	3

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the financial statements to which they relate to.

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.

1. About this report

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Senior management reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, such as bank valuations or independent valuations then management assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit, Compliance and Risk Management Committee.

When measuring the fair value of an asset or a liability, ALE uses market observable data as far as possible. Fair values are:

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).

2. Investment property

This section provides information relating to the investment properties of the Group.

	2021 $'000	2020 $'000
Investment properties held for sale	68,886	-
Investment Properties	1,225,375	1,174,160
Total Investment properties	**1,294,261**	1,174,160
Reconciliation of fair value gains/losses for year ending 30 June 2021		
Fair value as at beginning of the year	1,174,160	1,163,230
Additions during the year	-	-
Disposals during the year	(21,200)	-
Carrying amount before revaluations	**1,152,960**	1,163,230
Fair value as at end of the year	1,294,261	1,174,160
Fair value gain for the year	**141,301**	10,930

Individual valuation and carrying amounts

Each investment property is subject to independent valuation at least once every three years. For December 2020 all properties were independently valued. At June 2021, 36 investment properties were independently valued by Savills (3) , Charter Keck Cramer (16) and CBRE (17) , representing 44% of the portfolio by number.

The remaining 46 properties were subject to Directors' valuations as at 30 June 2021. The Directors' valuations of the 46 properties were determined by taking each property's net rent as at 30 June 2021 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 36 independent valuations completed at 30 June 2021 on a like for like basis. The Directors have received advice from Charter Keck Cramer, Savills and CBRE, that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a like for like basis.

Rent determinations started in the previous years were received during September 2020. ALE is has commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations are not binding on the parties.

The Directors have reviewed the independent valuation outcomes and determined they are appropriate to adopt as at 30 June 2021. The key inputs into the valuation are based on market information for comparable properties. The independent valuers have experience in valuing similar assets and have access to market evidence to support their conclusions.

Investment property disposals

During the year the Group sold six investment properties for the total of $58.65 million. The aggregate price achieved for the properties was 24.2% in excess of the carrying value. Four of the sales were settled prior to 30 June and two will settle by the end of September 2021.

2. Investment property

Accounting policy - investment properties

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. 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 79 of the 82 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.

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.

Land and buildings classified as investment property are not depreciated.

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.

Measurement of fair value

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 2021, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 4.59% (2020: 5.08%).

Investment property is a 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 recognised in the Statement of Comprehensive Income. 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 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 weighted average lease term of the properties is around 7.3 years.

As at 30 June 2021 ALE had 36 properties independently valued. These valuations were completed by Charter Keck Cramer, Savills and CBRE. The Western Australian properties were independently valued at 31 December 2020 and these values were also adopted for the 30 June 2021 valuations.

Valuations reflect, where appropriate, the tenant in occupation, the credit worthiness of the tenant, the triple-net nature and remaining term of the leases (79 of 82 properties), land tax liabilities (Queensland only), 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.

2. Investment property

Valuations are derived from a number of factors that may include a direct comparison between the subject property and a range of comparable sales, the present value of net future cash flow projections based on reliable estimates of future cash flows, existing lease contracts, external evidence such as current market rents for similar properties, and using capitalisation rates and discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

COVID-19

The COVID-19 pandemic has impacted market activity in many sectors in the economy and this has been particularly evident in the pub sector where trading restrictions have been put in place. Notwithstanding the uncertainty that the COVID-19 pandemic is currently having on property values, the valuation assessment undertaken by the Group and the yields achieved by the Group on the disposal of six properties during the year, indicates that good demand exists for prime assets secured by strong tenant covenants with long lease terms and yields have firmed from pre COVID-19 levels. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, and ALH does not continue to meet its rental obligations (being a key assumption underlying the valuations), this may have an adverse impact to the fair value of ALE's property portfolio.

Key estimates and assumptions - measurement of fair value

The Group had investment properties with a net carrying amount of $1,294,261,000 (2020: $1,174,160,000), representing the estimated fair values.

The adopted valuation for investment properties are based on valuations determined using a combination of the discounted cash flow (DCF) method and the income capitalisation method. The DCF and income capitalisation use unobservable inputs (i.e. key estimates and assumptions) in determining fair value, as per the table below:

Fair Value Hierarchy	Class of Property	Fair Value 30 June 2021 $000's	Valuation Technique	Inputs Used To Measure Fair Value	Range of Individual Property Unobservable Inputs
Level 3	Pubs	1,294,261	Capitalisation method	Gross rent p.a. ($'000's)	$84 - $1,890
				Land tax p.a. ($'000's)	$8 - $193
				Adopted capitalisation rate	2.47% - 7.14%
			Discounted cash flow method	Gross rent p.a. ($'000's)	$84 - $1,890
				Land tax p.a. ($'000's)	$8 - $193
				Discount rates p.a.	4.50% - 7.75%
				Terminal capitalisation rates	3.75% - 7.00%
				Consumer price index p.a.	1.00% - 2.50%

	2021 Adopted Yields	2020 Adopted Yields	**2021 Average**	2020 Average
New South Wales	**3.59% - 4.99%**	4.46% - 5.86%	**4.31%**	5.02%
Victoria	**2.50% - 5.29%**	2.80% - 5.77%	**4.67%**	5.07%
Queensland	**2.47% - 5.26%**	3.42% - 6.29%	**4.38%**	5.01%
South Australia	**3.99% - 5.48%**	4.20% - 5.77%	**4.95%**	5.12%
Western Australia	**5.77% - 7.14%**	5.80% - 6.93%	**6.28%**	6.29%

As noted above the independent valuer had regard to discounted cash flow modelling in deriving a final adopted yield although the capitalisation of income method remains the predominant method used in valuing the individual properties.

2. Investment property

A definition is provided below for each of the inputs used to measure fair value:

Discounted cash flow method (DCF)	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In the calculation of net rent, the owner recovers some or all outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	Net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In the calculation of net rent, the owner recovers some or all outgoings from the tenant on a pro-rata basis (where applicable).
10-year average market rental growth	An average of a 10-year period of forecast annual percentage growth rates.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.

2. Investment property

Sensitivity analysis

Due to the uncertainty the COVID-19 pandemic could have on property values, sensitivity analysis has been undertaken to further stress test the assessment of fair value undertaken for year-end reporting requirements.

The following sensitivity analysis is based on a range of potential capitalisation rate and discount rate movements on a portfolio basis compared to the capitalisation rates and discount rates adopted by ALE at 30 June 2021, and are considered to be the key unobservable inputs that would be expected to have the most material impact on the fair values adopted if they moved.

As noted above the independent external Valuers use a combination of DCF and Capitalisation rate approaches to determine the adopted value. The stress testing performed was based on the same metrics used by the valuers for each property to determine an adopted value. The stress testing was based on moving discount rates and pure capitalisation rates by between +0.50% to -0.50% in 0.25% increments. The resultant adopted value is shown in the table below.

		Discount Rate Movement				
		(0.50%)	***(0.25%)***	**0.00%**	**0.25%**	**0.50%**
Capitalisation Rate Movement	***(0.50%)***	1,423,211	1,414,478	1,405,972	1,397,239	1,389,074
	(0.25%)	1,363,442	1,354,710	1,346,317	1,337,584	1,329,419
	0.00%	1,311,500	1,302,654	1,294,261	1,285,528	1,277,476
	0.25%	1,265,227	1,256,495	1,248,102	1,239,256	1,231,204
	0.50%	1,223,378	1,214,646	1,206,253	1,197,520	1,189,355

The results of the sensitivity analysis above demonstrates that stress testing the material key inputs by the ranges disclosed would result in a movements between of $129.3 million and ($104.9 million). This equates to between 9.96% and (8.11%) movement in values. Even at this unlikely worst case scenario, this would not result in property values approaching the 42% decrease where debt covenants would be breached.

While the above sensitivity analysis provides an indication of the extent to which investment property values may move if the different rates are applicable in the future, ALE offers no forecast of future rates or values or the sufficiency of the rate movements included in the above analysis. The analysis also makes the assumption that an independent valuer will use the same proportion of Capitalisation Rate and DCF based values as they applied to the 30 June 2021 independent valuations included in these accounts.

Ownership arrangements

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.

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 in 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 (or its equivalent) is to be included or excluded at the tenant’s option, subject to each relevant State's Gaming Act. These assets are to be purchased at market 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 at each property for an amount of $1.

2. Investment property

Leasing arrangements

79 of the 82 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 to ALH on a double net basis.

	2021 $'000	2020 $'000
(i) Future minimum lease payments		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	60,058	63,301
Later than one year but not later than five years	252,488	266,119
Later than five years	226,080	275,489
	538,626	604,909
(ii) Amount recognised in the profit and loss		
Rental income	**62,473**	61,408

The majority of ALE's leases expire in November 2028 and have 4 x 10 year options to extend. As the exercise of the options are unknown at this point the future minimum lease payments exclude the options.

Valuation type and date

The following tables detail the cost and fair value of each of the Group's investment properties. The valuation type and date is as follows:

A Independent valuations conducted during June 2021 with a valuation date of 30 June 2021.
B Directors' valuations conducted during June 2021 with a valuation date of 30 June 2021.
C Sold during the current financial year
D Sold but not settled during the current financial year

Properties were purchased in November 2003, unless otherwise indicated.

Property	Cost including additions) $'000	Valuation type and date)	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000	Fair value gains/ 2021 $'000
New South Wales					
Blacktown Inn, Blacktown	5,472	B	17,130	14,300	2,830
Brown Jug Hotel, Fairfield Heights	5,660	A	17,200	15,000	2,200
Colyton Hotel, Colyton	8,208	A	24,700	21,700	3,000
Crows Nest Hotel, Crows Nest	8,772	B	29,630	23,800	5,830
Melton Hotel, Auburn	3,114	A	9,900	8,400	1,500
Narrabeen Sands Hotel, Narrabeen (Mar 09)	8,945	A	17,900	16,000	1,900
New Brighton Hotel, Manly	8,867	B	13,470	11,600	1,870
Pioneer Tavern, Penrith	5,849	A	17,900	15,400	2,500
Pritchard's Hotel, Mount Pritchard (Oct 07)	21,130	A	37,900	31,300	6,600
Smithfield Tavern, Smithfield	4,151	A	12,700	10,400	2,300
Total New South Wales properties	**80,168**		**198,430**	167,900	**30,530**

2. Investment property

Property	Cost including additions) $'000	Valuation type and date)	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000	gains/ (losses) 2021 $'000
Queensland					
Albany Creek Tavern, Albany Creek	8,396	B	22,300	18,800	3,500
Alderley Arms Hotel, Alderley	3,303	B	7,850	7,500	350
Anglers Arms Hotel, Southport	4,434	A	13,000	11,700	1,300
Balaclava Hotel, Cairns	3,304	A	15,300	13,000	2,300
Breakfast Creek Hotel, Breakfast Creek	11,024	A	27,100	23,800	3,300
Burleigh Heads Hotel, Burleigh Heads (Nov 08)	6,685	B	18,200	15,200	3,000
Camp Hill Hotel, Camp Hill	2,265	B	7,050	6,400	650
Chardons Corner Hotel, Annerly	1,416	A	4,300	3,800	500
Dalrymple Hotel, Townsville	3,208	B	15,550	13,100	2,450
Edge Hill Tavern, Manoora	2,359	A	7,500	6,300	1,200
Edinburgh Castle Hotel, Kedron (Sold June 2021)	3,114	C	-	7,700	(200)
Four Mile Creek, Strathpine (Jun 04)	3,672	B	10,900	9,600	1,300
Hamilton Hotel, Hamilton	6,604	B	18,750	17,000	1,750
Holland Park Hotel, Holland Park	3,774	A	17,000	15,400	1,600
Kedron Park Hotel, Kedron Park (Sold April 2021)	2,265	C	-	4,800	(1,400)
Kirwan Tavern, Townsville	4,434	A	14,200	12,300	1,900
Lawnton Tavern, Lawnton	4,434	A	9,300	9,800	(500)
Miami Tavern, Miami[1]	5,548	A	19,720	15,770	3,950
Mount Gravatt Hotel, Mount Gravatt	3,208	B	8,800	7,500	1,300
Mount Pleasant Tavern, Mackay	1,794	A	13,000	10,900	2,100
Nudgee Beach Hotel, Nudgee	3,020	B	8,050	7,000	1,050
Palm Beach Hotel, Palm Beach	6,886	A	16,500	14,900	1,600
Pelican Waters, Caloundra (Sold April 2021)	4,237	C	-	7,600	-
Prince of Wales Hotel, Nundah	3,397	B	10,800	9,600	1,200
Racehorse Hotel, Booval	1,794	A	9,700	6,900	2,800
Redland Bay Hotel, Redland Bay	5,189	B	11,100	10,500	600
Springwood Hotel, Springwood	9,150	B	26,100	21,500	4,600
Stones Corner Hotel, Stones Corner	5,377	B	11,650	11,000	650
Vale Hotel, Townsville	5,661	B	16,650	13,600	3,050
Wilsonton Hotel, Toowoomba	4,529	B	15,225	13,400	1,825
Total Queensland properties	**134,481**		**375,595**	346,370	**47,725**

1. Includes adjacent lot purchased in April 2018

Property	Cost including additions) $'000	Valuation type and date)	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000	gains/ (losses) 2021 $'000
South Australia					
Aberfoyle Hub Tavern, Aberfoyle Park	3,303	B	7,900	7,200	700
Eureka Tavern, Salisbury	3,303	B	6,200	6,350	(150)
Exeter Hotel, Exeter	1,888	B	5,550	5,000	550
Finsbury Hotel, Woodville North	1,605	B	4,900	4,700	200
Gepps Cross Hotel, Blair Athol	2,507	A	8,500	8,000	500
Hendon Hotel, Royal Park	1,605	A	4,950	4,200	750
Stockade Tavern, Salisbury	4,435	A	6,200	6,150	50
Total South Australian properties	**18,646**		**44,200**	41,600	**2,600**
Western Australia					
Queens Tavern, Highgate	4,812	B	10,450	10,090	360
Sail & Anchor Hotel, Fremantle	3,114	B	5,180	4,700	480
The Brass Monkey Hotel, Northbridge (Nov 07)	7,815	B	9,500	9,550	(50)
Balmoral Hotel, East Victoria Park (Jul 07)	6,645	B	7,350	7,450	(100)
Total Western Australian properties	**22,386**		**32,480**	31,790	**690**

2. Investment property

Property	Cost including additions) $'000	Valuation type and date)	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000	gains/ (losses) 2021 $'000
Victoria					
Ashley Hotel, Braybrook	3,963	B	11,740	11,300	440
Bayswater Hotel, Bayswater	9,905	A	24,650	21,800	2,850
Berwick Inn, Berwick (Feb 06)	15,888	B	21,310	20,800	510
Blackburn Hotel, Blackburn	9,433	A	19,450	19,200	250
Blue Bell Hotel, Wendouree	1,982	B	6,030	5,500	530
Burvale Hotel, Nunawading	9,717	B	29,610	25,000	4,610
Club Hotel, Ferntree Gully	5,095	A	11,450	11,500	(50)
Cramers Hotel, Preston	8,301	B	21,170	18,300	2,870
Deer Park Hotel, Deer Park	6,981	A	19,150	17,500	1,650
Doncaster Inn, Doncaster	12,169	B	33,010	26,600	6,410
Ferntree Gully Hotel/Motel, Ferntree Gully	4,718	A	9,300	9,400	(100)
Gateway Hotel, Corio	3,114	B	10,250	9,800	450
Keysborough Hotel, Keysborough	9,622	A	26,650	26,500	150
Mac's Melton Hotel, Melton	6,886	A	18,300	17,000	1,300
Meadow Inn Hotel/Motel, Fawkner	7,689	B	22,950	20,000	2,950
Mitcham Hotel, Mitcham	8,584	B	19,640	17,800	1,840
Morwell Hotel, Morwell (Sold April 2021)	1,511	C	-	3,100	(400)
Olinda Creek Hotel, Lilydale	3,963	A	8,800	8,900	(100)
Pier Hotel, Frankston	8,019	B	16,720	16,700	20
Plough Hotel, Mill Park	8,490	B	21,420	19,550	1,870
Prince Mark Hotel, Doveton	9,810	B	26,210	22,000	4,210
Royal Exchange, Traralgon	2,171	B	7,280	7,000	280
Sandbelt Club Hotel, Moorabbin	10,849	B	29,960	24,350	5,610
Sandown Park Hotel/Motel, Noble Park	6,321	B	16,640	16,000	640
Sandringham Hotel, Sandringham	4,529	B	16,720	13,000	3,720
Somerville Hotel, Somerville	2,733	A	8,900	8,500	400
Stamford Inn, Rowville	12,733	A	31,800	30,100	1,700
Sylvania Hotel, Campbellfield	5,377	A	14,100	13,350	750
The Vale Hotel, Mulgrave	5,566	A	16,850	16,000	850
Village Green Hotel, Mulgrave	12,546	B	28,260	25,550	2,710
Young & Jackson, Melbourne	6,132	A	26,350	23,400	2,950
Total Victorian properties	**224,797**		**574,670**	525,500	**51,870**
Total investment properties	**480,478**		**1,225,375**	1,113,160	**133,415**

2. Investment property

Investment properties held for resale

Property	Cost including additions) $'000	Valuation type and date)	Fair value at 30 June 2021 $'000	Fair value at 30 June 2020 $'000	Fair value gains/ 2021 $'000
Boundary Hotel, East Bentleigh (Jun 08)	17,943	D	32,689	27,500	5,189
Tudor Inn, Cheltenham	5,519	A	11,850	11,900	(50)
Royal Exchange Hotel, Toowong	5,755	B	10,700	10,100	600
Noosa Reef Hotel, Noosa Heads (June 2004)	6,874	D	13,647	11,500	2,147
Total Investment Properties held for resale	**36,091**		**68,886**	61,000	7,886
Total Investment Properties	**516,569**		**1,294,261**	1,174,160	141,301

The Group has four investment properties held for sale at 30 June 2021. Contracts for the sale of two of these properties were exchanged prior to 30 June 2021, with settlements completed on 26 July 2021 (Noosa Reef Hotel) and to be completed on 10 September 2021 (Boundaty Hotel). Two properties (Tudor In Moorabbin Victoria and Royal Exchange Hotel Toowong Queensland) have been approved for divestment and are currently in the process of being marketed for sale.

Accounting policy – Assets held for sale

Investment properties are classified as held for sale and measured at fair value if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.
Capital structure and financing

This section provides information on the Group's capital structure and its exposure to financial risk, how they effect the Group's financial position and how the risks are managed.

The capital structure of the Group consists of debt and equity. The Directors determine the appropriate capital structure of ALE, specifically how much is raised from shareholders (equity) and how much is borrowed from others (debt) in order to finance the current and future activities of the Group. The Directors review the Group's capital structure and distribution policy regularly and do so in the context of the Group's ability to continue as a going concern, to invest in opportunities that grow the business and enhance securityholder value.

3.1 Borrowings

	2021 $'000	2020 $'000
Non-current borrowings		
Capital Indexed Bond (CIB)	157,838	156,336
Australian Medium Term Notes (AMTN)	298,901	149,576
Bank facilities	84,155	-
Debt facility	-	245,500
	540,894	551,412

CIB	2021 $'000	2020 $'000
Gross value of debt	111,900	111,900
Accumulated indexation	46,237	44,842
Unamortised borrowing costs	(299)	(406)
Net balance	**157,838**	156,336

$125 million of CIB were 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.

AMTN	2021 $'000	2020 $'000
Gross value of debt	300,000	150,000
Unamortised borrowing costs	(1,099)	(424)
Net balance	**298,901**	149,576

In March 2017 ALE issued AMTNs with a value of $150 million, maturing in August 2022. These are fixed rate securities with interest payable semi annually

In March 2021 ALE issued AMTNs with a value of $150 million, maturing in August 2024. These are floating rate securities with interest payable quarterly.

Bank facilities	2021 $'000	2020 $'000
Gross value of debt	85,000	-
Unamortised borrowing costs	(845)	-
Net balance	**84,155**	**-**

In March 2021 ALE entered into bank loans with a face value of $100 million, with maturities between March 2023 to March 2025. These are floating rate loans with interest payable quarterly. In June 2021 $15m of the loans were repaid.

3. Capital structure and financing

Debt facility	2021 $'000	2020 $'000
Gross value of debt	-	250,000
Unamortised borrowing costs	-	(4,500)
Net balance	**-**	245,500

On 24 April 2020 a $250 million debt facility was established. The facility was repaid in March 2021.

Recognition and measurement

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.

Assets pledged as security

The carrying amounts of assets pledged as security as at the balance date for CIB borrowings and certain interest rate derivatives are:

	2021 $'000	2020 $'000
Current assets		
Cash - CIB borrowings reserves	9,920	9,920
Non-current assets		
Total investment properties	1,294,261	1,174,160
Less: Properties not subject to mortgages		
Pritchard's Hotel, NSW	(37,900)	(31,300)
Miami Hotel, QLD[1]	(1,470)	(1,470)
Properties subject to mortgages	1,254,891	1,141,390
Total assets pledged as security	**1,264,811**	1,151,310

1. Adjoining property purchased in April 2018

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.

3. Capital structure and financing

Terms and Repayment Schedule

	All up Interest Rate[3]	Issue Rate	Maturity Date[1]	30 June 2021 Face Value $'000	30 June 2021 Carrying Amount $'000	30 June 2020 Face Value $'000	30 June 2020 Carrying Amount $'000
Debt facility - repaid in March 2021				-	-	250,000	250,000
AMTN	4.00%	08-Mar-2017	20-Aug-2022	150,000	150,000	150,000	150,000
CIB	3.40%[2]	20-May-2006	20-Nov-2023	111,900	158,137	111,900	156,742
AMTN	2.39%	24-Mar-2021	20-Aug-2024	150,000	150,000	-	-
Bank Loan	2.04%	29-Mar-2021	29-Mar-2023	25,000	25,000	-	-
Bank Loan	2.74%	29-Mar-2021	29-Mar-2024	10,000	10,000	-	-
Bank Loan	3.19%	29-Mar-2021	29-Mar-2025	50,000	50,000	-	-
				496,900	**543,137**	511,900	556,742
Unamortised borrowing costs					(2,243)		(5,330)
Total borrowings					**540,894**		551,412

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing.
2. Interest is payable on the indexed balance of the CIB at a fixed rate.
3. Interest rate payable at 30 June 2021 at the nominal rate + margin (including hedged interest rates)

Reconciliation of movements in liabilities to cash flows arising from financing activities

	CIB Borrowings	AMTN Borrowings	Bank facility borrowings	Debt Facility Borrowings	Total Borrowings
Balance as at 1 July 2020	156,336	149,576	-	245,500	551,412
Changes from financing cash flows					
New borrowings		150,000	100,000	-	250,000
Repayment of borrowings	-	-	(15,000)	(250,000)	(265,000)
Payment of borrowing costs		(939)	(914)		(1,853)
Total changes from financing cash flows	-	149,061	84,086	(250,000)	(16,853)
Other changes					
Amortisation of capitalised borrowing costs	107	264	69	4,500	4,940
Accumulated indexation	1,395	-	-	-	1,395
Total other changes	1,502	264	69	4,500	6,335
Balance as at 30 June 2021	**157,838**	**298,901**	**84,155**	**-**	**540,894**

Fair value

The basis for determining fair values is disclosed in Note 1.

The fair value of derivative financial instruments (level 2) is disclosed in the Statement of Financial Position.

The carrying amount of all financial assets and liabilities approximates their fair value with the exception of borrowings which are shown below:

	Classification	30 June 2021 Carrying Amount $'000	30 June 2021 Fair Value $'000	30 June 2020 Carrying Amount $'000	30 June 2020 Fair Value $'000
30 June 2020					
CIB	Level 2	157,838	172,253	156,336	167,384
AMTN - August 2022 maturity	Level 2	149,840	153,171	149,576	153,793
AMTN - August 2024 maturity	Level 2	149,061	150,915	-	
Bank facilities	Level 2	84,155	85,000	-	-
Debt facility	Level 2	-	-	245,500	250,000
		540,894	**561,339**	551,412	571,177

3. Capital structure and financing

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 flow 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 ALE's credit risk using the credit rating of ALE issued by a rating agency for the AMTN issue.

3.2 Financial Risk Management

The Trust and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about ALE's exposure to each of the above risks, its 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.

3.2.1 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.

Cash

Credit risk on cash is managed through ensuring all cash deposits are held with authorised deposit taking institutions.

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 Pty Limited) and therefore there is significant concentration of credit risk with that company. Credit risk of the tenant is 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.

The Group has considered the collectability and recoverability of trade receivables. When warranted, an allowance for doubtful debts has been made for the estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

3. Capital structure and financing

3.2.2 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 return.

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

Interest rate risk

ALE adopts a policy of ensuring that short and medium term 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.

Potential variability in future distributable profit arises predominantly from financial assets and liabilities bearing variable interest rates. For example, if interest rates rise, to the extent that interest rate derivatives (hedges) are not in place to fully hedge the exposure, distributable profit levels would be expected to decline from the levels that they would otherwise have been, and vice-versa.

ALE also has property assets that are leased on a long term basis 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:

	2021 $'000	2020 $'000
Derivative financial assets	-	-
Derivative financial liabilities	(29,015)	(52,030)
Borrowings		
CIB	(157,838)	(156,336)
AMTN	(298,901)	(149,576)
Bank facilities[1]	(84,155)	-
Debt facility[1]	-	(245,500)
	(569,909)	(603,442)

1. The Bank and Debt facilities debt are floating rate. Its market value is therefore not affected by changes in interest rates.

Sensitivity analysis

A change of 100 basis points in the prevailing nominal market interest rates 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 CPI, remain constant. This analysis was performed on the same basis for 2020.

	30 June 2021		30 June 2020	
	100 bps increase $'000	100 bps decrease $'000	100 bps increase $'000	100 bps decrease $'000
30 June 2021				
Interest rate hedges	14,844	(15,621)	18,442	(19,698)
CIB	-	-	-	-
AMTN	-	-	-	-
Debt facility	-	-		
	14,844	**(15,621)**	18,442	(19,698)

3. Capital structure and financing

Consumer price index risk

Potential variability in future distributable profit 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 may in turn flow through to investment property valuations.

Profile

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

	2021 $'000	2020 $'000
Financial instruments		
Investment properties	1,294,261	1,174,160
CIB	(157,838)	(156,336)
	1,136,423	1,017,824

Sensitivity analysis for variable rate instruments

A change of 100 bps in CPI at the reporting date would increase rent and hence property value would have increased 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. This analysis was performed on the same basis for 2020.

	30 June 2021		30 June 2020	
	100 bps increase $'000	100 bps decrease $'000	100 bps increase $'000	100 bps decrease $'000
30 June 2021				
Investment properties	13,375	-	11,560	-
CIB	-	-	-	-
	13,375	**-**	**11,560**	**-**

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.

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 monitoring gearing levels and has contingency capital management plans to ensure that sufficient headroom may be restored if required.

3.2.3 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 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 return on cash 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.

3. Capital structure and financing

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

30 June 2021	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	(5,336)	(5,336)	-	-	-	-
CIB	(179,355)	(2,706)	(2,730)	(5,533)	(168,386)	-
AMTN - August 2022	(159,000)	(3,000)	(3,000)	(153,000)	-	-
AMTN - August 2024	(161,702)	(1,468)	(1,485)	(3,434)	(155,315)	-
Bank facilities	(93,306)	(1,062)	(1,068)	(27,327)	(63,849)	-
Derivative financial instruments						
Interest rate hedges	(31,281)	(524)	(460)	(4,822)	(25,475)	-
	(629,980)	**(14,096)**	**(8,743)**	**(194,116)**	**(413,025)**	**-**
30 June 2020						
Non-derivative financial liabilities						
Trade and other payables	(6,047)	(6,047)	-	-	-	-
CIB	(193,040)	(2,606)	(2,623)	(5,328)	(182,483)	-
AMTN	(165,000)	(3,000)	(3,000)	(6,000)	(153,000)	-
Debt facility	(264,240)	(1,974)	(3,391)	(258,875)	-	
Derivative financial instruments						
Interest rate hedges	(56,562)	(1,705)	(3,376)	(7,089)	(38,113)	(6,279)
	(684,889)	(15,332)	(12,390)	(277,292)	(373,596)	(6,279)

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.

3. Capital structure and financing

Interest rate hedges

ALE has fixed rate and variable rate debt. Where debt is at variable rate, interested rate swaps have been put in place to fix this. Also, forward start interest rate swaps have been put in place that start when the existing fixed rate debt expires. As a result of this fixed rate debt and swaps, 100% of ALE's debt is a fixed at a weighted average cost of between 2.00% and 3.53% for a duration of 4.4 years.

	2021 $'000	2020 $'000
Current assets	-	
Non-current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non-current liabilities	(29,015)	(52,030)
Total liabilities	(29,015)	(52,030)
Net assets/(liabilities)	(29,015)	(52,030)

Current year fair value adjustments to derivatives

	2021 $'000	2020 $'000
Fair value increments/ (decrements) to interest rate hedge derivatives	6,091	(17,306)

Recognition and measurement

Interest rate hedges are initially recognised at fair value and are subsequently remeasured to their fair value at each reporting date. Any gains or losses arising from the change in fair value of the interest rate hedges are recognised in the Statement of Comprehensive Income.

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 profit and loss.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the profit and loss.

At 30 June 2021, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Borrowing Interest Rate		Deposit Interest Rate		Net Hedge Position	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Less than 1 year	-	-	-	-	-	-
1 - 2 years	-	-	-	-	-	-
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	476,000	-	-	-	476,000	-
Greater than 5 years	-	506,000	-	-	-	506,000

ALE has a series of forward start borrowing hedges in place.

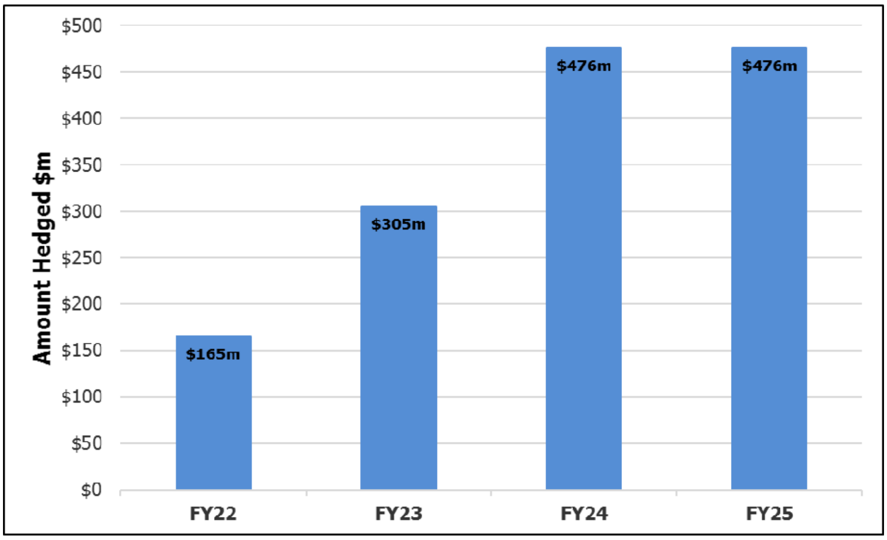
The current forward start borrowing hedge commences in August 2020 and increases on maturity of both the fixed rate August 2022 AMTN and the November 2023 CIB borrowings, extending out to November 2025.

3. Capital structure and financing

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 term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE is 4.4 years at 30 June 2021.

The following chart shows the hedge balances to November 2025.



The difference between the net debt and the amount hedged is approximately the amount of current fixed rate debt on issue.

Financial covenants

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

Interest Cover Ratio covenants (ICR)

Borrowing	ICR covenant	Current Ratio	Consequence
CIB	ALH EBITDAR to be greater than 7.5 times CIB interest expense	>42.5x	Stapled security distributions lockup
AMTN	ALE DPT EBITDA to be greater than or equal to 1.5 times ALE DPT interest expense	3.38x	Note holders may call for notes to be redeemed
Bank Facilities	As per AMTN	3.38x	Lender may call for loan to be repaid
Hedging	As per AMTN	3.38x	Hedge counterparty may call for hedging to be closed out

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

3. Capital structure and financing

Rating covenant

Borrowing	Covenant	Current Rating	Consequence
AMTN	AMTN issue rating to be maintained at investment grade (i.e. at least Baa3/BBB-)	Baa2	Published rating of Ba1/BB+ or lower results in a step up margin of 1.25% to be added to the interest rate payable
Bank facilities	ALE DPT rating to be maintained at investment grade (i.e. at least Baa3/BBB-)	Baa2	Published rating of Baa3/BBB- or lower results in a step up margin of 0.25% to be added to the interest rate payable. Rating of Ba1/BB+ or lower results in a further 1% added to the interest rate payable

Loan to Value Ratio covenants (LVR)

Borrowing	LVR Covenant	Current Ratio	Consequence
CIB	The issuance of new CIB is not permitted if the indexed value of the resultant total CIB exceeds 25% of the value of properties held as security	12.6%	Note holders may call for notes to be redeemed
CIB	Outstanding value of CIB not to exceed 66.6% of the value of properties held as security	12.6%	Note holders may call for notes to be redeemed
AMTN	Net Priority Debt is not permitted to exceed 20% of Net Total Assets	10.8%	Note holders may call for notes to be redeemed
AMTN	Net Finance Debt is not permitted to exceed 60% of Net Total Assets	36.4%	Stapled Security distribution lockup
AMTN	Net Finance Debt is not permitted to exceed 60% of Net Total Assets	36.4%	Note holders may call for notes to be redeemed
Bank facilities	As per AMTN above	-	Lender may call for loan to be repaid
Hedging	As per AMTN above	-	Hedge counterparty may call for hedging to be closed out

Definitions

Net Total Assets	Total Assets less Cash less Derivative Assets less Deferred Tax Assets. (ALE DPT)
Net Priority Debt	ALE Finance Company Pty Limited (ALEFC) borrowings less Cash held against the ALEFC borrowings, divided by Total Assets less Cash less Derivative Assets less Deferred Tax Assets
Net Finance Debt	Total Borrowings less Cash, divided by Total Assets less Cash less Derivative Assets less Deferred Tax Assets. (ALE DPT)

All covenants exclude the mark to market value of derivatives. CIB covenants relate to ALE FC. AMTN, Debt facility and hedging covenants relate to ALE DPT.

ALE currently considers that significant headroom exists with respect of all the above covenants. At all times during the years ended 30 June 2021 and 30 June 2020, ALE and its subsidiaries were in compliance with all the above covenants.

3. Capital structure and financing

3.3 Equity

	2021 $'000	2020 $'000
Balance at the beginning of the period	258,118	258,118
Issue of securities under the ALE Distribution Reinvestment Plan	22,067	-
	280,185	258,118

Movements in the number of fully paid stapled securities during the year	2021	2020
Opening balance	195,769,080	195,769,080
Issue of securities under the ALE Distribution Reinvestment Plan	4,638,443	-
Closing balance	200,407,523	195,769,080

Measurement and recognition

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.

Stapled securities

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

No income voting units (NIVUS)

The Trust issued 9,080,010 of no income voting units (NIVUS) to the Company, fully paid at $1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of $1.00, carry no rights to income from the Trust and entitle the holder to no more than $1.00 per NIVUS upon the winding-up of the Trust. The Company has a voting power of 4.31% 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. The NIVUS were issued to ensure the Responsible Entity maintained sufficient Net Tangible Assets to satisfy the requirements of the company's AFSL Licence.

3. Capital structure and financing

3.4 Capital management

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 the 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. ALE has also from time to time made distributions from surplus cash or capital to stapled securityholders. 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 total gearing ratios (total liabilities as a percentage of total assets) at 30 June 2021 and 30 June 2020 were 44.5% and 51.9% respectively.

The covenant gearing ratios (gross borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets of ALE DPT) at 30 June 2021 and 30 June 2020 were 36.4% and 41.3% respectively.

3.5 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and in hand	31,508	4,575
Deposits at call	2,193	25,073
Cash reserve	9,920	9,920
	43,621	39,568

Recognition and measurement

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.

Cash obligations

An amount of $9.92 million (2020: $9.92 million) is required to be held as a cash reserve as part of the terms of the CIB issue in order to provide liquidity for CIB obligations to scheduled maturity of 20 November 2023.

An amount of $2.00 million is required to be held in a term deposit by the Company to meet minimum net tangible asset requirements of its Australian Financial Services License.

During the year ended 30 June 2021 all cash assets were placed on deposit with various banks. As at 30 June 2021, the weighted average interest rate on all cash assets was 0.30% (2020:0.66%).

4.
Business performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

4.1 Revenue and income

	2021 $'000	2020 $'000
Revenue		
Rent from investment properties	62,473	61,408
Interest from cash deposits	99	301
Total revenue	**62,572**	61,709
Other income		
Fair value increments to investment properties	141,301	10,930
Fair value increments to derivatives	6,091	-
Profits on sale of investment properties	4,230	-
Other income	-	-
Total other income	**151,622**	10,930
Total revenue and other income	**214,194**	72,639

Recognition and measurement

Revenue

Rental income from operating leases is recognised on a straight line basis over the lease term. Rentals that are based on a future amount that changes with 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.

Rental income

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%. In September 2020 Rent Determinations on 43 properties were received.

Interest income

As at 30 June 2021 the weighted average interest rate earned on cash was 0.30% (2020: 0.66%)

4. Business performance

4.2 Finance costs

	2021 $'000	2020 $'000
Finance costs - cash		
Capital Indexed Bonds (CIB)	5,331	5,285
Australian Medium Term Notes (AMTN)	6,771	16,174
Interest rate derivative payments/(receipts)	119	(656)
Bank facilities	582	-
Debt Facility	4,206	943
Other finance expenses	196	295
	17,205	22,041
Finance costs - non-cash		
Accumulating indexation - CIB	1,395	2,908
Amortisation - CIB	107	97
Amortisation - AMTN	181	304
Amortisation - AMTN discount	83	80
Amortisation - Bank loans	69	-
Amortisation - Debt facility	4,500	426
	6,335	3,815
Finance costs (cash and non-cash)	**23,540**	25,856

Recognition and measurement

Interest expense is recognised on an accruals basis.

Borrowing costs are recognised using the effective interest rate method.

Amounts represent net cash finance costs after derivative payments and receipts.

Finance costs details

Other borrowing costs such as rating agency fees and liquidity fees.

Establishment costs of the various borrowings are amortised over the period of the borrowing on an effective rate basis.

4.3 Taxation

Reconciliation of income tax expense

The prima facie income tax expense on profit before income tax reconciles to the income tax expense in the financial statements as follows:

	2021 $'000	2020 $'000
Profit before income tax	179,437	20,016
Profit attributable to entities not subject to tax	179,483	20,005
Profit/(Loss) before income tax expense subject to tax	(46)	11
Tax at the Australian tax rate	(14)	3
Share based payments	(14)	(14)
Tax losses not recoverable	300	-
Other	(6)	4
Income tax expense/(benefit)	**266**	(7)
Current tax expense/(benefit)	82	-
Deferred tax expense/ (benefit)	184	(7)
Income tax expense/(benefit)	**266**	**(7)**

4. Business performance

4.3 Taxation (continued)

Recognition and measurement

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.

Current tax
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

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.

Offsetting deferred tax balances
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

4.4 Remuneration of auditors

	2021 $	2020 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports		
- in relation to current year	194,458	175,785
- in relation to prior year	-	-
Total remuneration for audit services	194,458	175,785
KPMG Australian firm:		
Other services	7,244	-
Total remuneration for all services	201,702	175,785

4. Business performance

4.5 Distributable income

Reconciliation of profit after tax to amounts available for distribution:

	2021 $'000	2020 $'000
Profit after income tax	**179,171**	20,023
Plus /(less)		
Fair value adjustments to investment properties	(141,301)	(10,930)
Fair value adjustments to derivatives - net	(6,091)	17,306
Profits on sale of investment properties	(4,230)	-
Employee share based payments	223	204
Finance costs - non cash	6,335	3,815
Income tax expense	266	(7)
Adjustments for non-cash items	(144,798)	10,388
Total available for distribution	34,373	30,411
Distribution paid or provided for	42,808	40,916
Distributions made in excess of Distributable Income	**(8,435)**	(10,505)
Distribution funded as follows		
Current year distributable income	34,373	30,411
Securities issued: Distribution reinvestment plan *	12,210	9,857
Capital and surplus cash	(3,775)	648
	42,808	40,916

* The securities for FY20 issued under the Distribution Reinvestment Plan were issued on September 2020 but related to June 2020 distribution, and therefore the comparative has been updated accordingly.

4.6 Earnings per security

Basic earnings per stapled security

The calculation of basic earnings per stapled security is based on the profit attributable to ordinary securityholders and the weighted average number of ordinary stapled securities outstanding.

	2021	2020
Profit attributable to members of the Group ($000's)	179,171	20,023
Weighted average number of stapled securities	198,266,757	195,769,080
Basic earnings per security (cents)	90.37	10.23

Diluted earnings per stapled security

The calculation of diluted earnings per stapled security is based on the profit attributable to ordinary securityholders and the weighted average number of ordinary stapled securities outstanding after adjustments for the effects of all dilutive potential ordinary stapled securities.

	2021	2020
Profit attributable to members of the Group ($000's)	179,171	20,023
Weighted average number of stapled securities	198,773,934	195,911,039
Diluted earnings per security (cents)	90.14	10.22

4. Business performance

The calculation of distributable profit per stapled security is based on the distributable profit attributable to ordinary securityholders and the weighted average number of ordinary stapled securities outstanding.

	2021	2020
Distributable income attributable to members of the Group ($000's)	34,373	30,411
Number of stapled securities at the end of the year	200,407,523	195,769,080
Distributable income per security (cents)	17.15	15.53

Distributed income per security

	2021 (Cents)	2020 (Cents)
Distributable income per stapled security	17.15	15.53
Distribution paid per stapled security	21.50	20.90
Distributions made in excess of Distributable Income	(4.35)	(5.37)
Distribution funded as follows		
Current year distributable income	17.15	15.53
Securities issued: Distribution reinvestment plan	6.09	5.04
Capital and surplus cash	(1.74)	0.33
Capital and surplus cash	**21.50**	20.90

Distributable profit per security

ALE has a policy of paying distributions which are 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.

The calculation of distributable profit per stapled security is based on the distributable profit attributable to ordinary securityholders and the weighted average number of ordinary stapled securities outstanding.

5.
Employee benefits

This section provides a breakdown of the various programs ALE uses to reward and recognise employees and key executives, including Key Management Personnel (KMP). ALE believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to securityholders.

5.1 Employee benefits

	2021 $'000	2020 $'000
Employee benefits provision:		
Current	**202**	292

Recognition and measurement
The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees’ services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers compensation insurance, superannuation and payroll tax.

5.2 Key management personnel compensation

	2021 $	2020 $
Short term employee benefits	2,298,999	1,899,277
Post employment benefits	122,305	109,766
Other long term benefits	149,628	28,429
Share based payments	185,500	203,538
Termination benefits	193,961	-
	2,950,393	2,241,010

Recognition and measurement

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.

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.

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.

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.

5. Employee benefits

5.3 Employee share plans

Executive Stapled Security Scheme (ESSS)

The ESSS was established in 2012. 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.

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 and grossing this number up for the future value of the estimated distributions over the three year deferred delivery period. Upon the exercise of ESSS rights, the balance of the share based payments reserve relating to those rights is transferred to Contributed Equity.

6. Other

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

6.1 Changes to accounting policies

The Group has not made any significant changes to Accounting Policies in the current year.

6.2 New accounting standards

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The amendments listed above did not have any material impact on the amounts recognised in the current year.

6.3 Segment reporting

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 ALE Property Group.

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

All of ALE Property Group's pub properties are leased to members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2020: 100%). Non pub rental income comprises less than 1% of total revenue.

6. Other

6.4 Events occurring after balance date

The COVID-19 pandemic and lockdowns subsequent to year end continues to create economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place. To date, ALE continues to receive rental income in accordance with the agreed lease arrangements with ALH.

The Noosa Reef Hotel that sold prior to 30 June 2021 for $11.3 million settled on 26 July 2021. The Boundary Hotel is due to settle on 10 September 2021.

Prior to issuing this report, management consulted with the independent valuers who undertook the valuations as at 30 June 2021 as to whether any events subsequent to balance date have changed their view of the 30 June 2021 valuations. The independent valuers and management are of the opinion that appropriate considerations have been made at 30 June and there has been no changes to the valuations subsequent to balance date.

Apart from the above, 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.

6.5 Contingent liabilities and contingent assets

Bank guarantee

ALE has a bank guarantee of $73,273 in respect of the office tenancy at Level 10, 6 O'Connell Street, Sydney. This tenancy has ceased and the bank guarantee will be returned to the Company.

ALE has a bank guarantee of $112,388 in respect of the a new office tenancy at Level 28, Suite 28.01, 264 George Street, Sydney.

6.6 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 AASB.

In addition, the Trust owns 100% of the issued units of ALE Direct Property Trust No.3, which in turns owns 100% of the issued shares of ALE Finance Company No.3 Pty Limited. Both of these Trust subsidiaries are non-operating.

6.7 Related party transactions

Parent entity and subsidiaries
Details are set out in Note 6.6 and 6.8.

Key management personnel
Key management personnel and their compensation are set out in the Remuneration Report on Page 19.

Transactions with related parties
For the year ended 30 June 2021, the Company received $6,304,287 of expense reimbursement from the Trust (2020: $4,477,922), and the Finance Company charged the Sub Trust $6,833,310 interest (2020: $8,307,406).

Robert Mactier is a consultant to UBS AG. UBS AG has provided debt lead management services to ALE in the past and may do so in the future. Mr Mactier does not take part in any decisions to appoint UBS AG in relation to debt lead management services provided by UBS AG to ALE. No transactions that involved UBS AG were performed during the year.

6. Other

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.

6.8 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2021 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2021 $'000	2020 $'000
Profit for the year	25,270	20,695
Financial position of the parent entity		
Current assets		
Cash	21	21
Non-current assets		
Investments in controlled entities	275,656	275,656
Total assets	**275,677**	275,677
Current		
Payables	54,433	59,533
Provisions	21,544	20,458
Total liabilities	75,977	79,991
Net assets	**199,700**	195,686
Issued units	273,984	252,431
Retained earnings	(74,284)	(56,745)
Total equity	**199,700**	195,686

DIRECTORS' DECLARATION

For the Year ended 30 June 2021

In the opinion of the directors of the Australian Leisure and Entertainment Property Management Limited (the Company) as responsible entity of the Australian Leisure and Entertainment Property Trust:

(a) the financial statements and notes that are set out on pages 24 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 the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Group 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 2021.

(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.

Robert Mactier
Chairman

Guy Farrands
Managing Director

Dated this 4th day of August 2021

Independent Auditor's Report

To the stapled security holders of ALE Property Group

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of ALE Property Group (the Stapled Group).

In our opinion, the accompanying Financial Report of the Stapled Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated Statement of financial position as at 30 June 2021;
- Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Stapled Group*** consists of the Australian Leisure and Entertainment Property Management Limited and Australian Leisure and Entertainment Property Trust and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group, Australian and Leisure Entertainment Property Trust and Australian Leisure and Entertainment Property Management Limited (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current year.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

<table>
<tr><th colspan="2">Valuation of Investment Properties ($1,225.4m) and Assets held for sale ($68.9m)</th></tr>
<tr><td colspan="2">Refer to Note 2 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The valuation of investment properties and assets held for sale is a key audit matter due to the significance of the balance and judgment required by us in assessing the key valuation assumptions, methodologies and the final adopted values.

The Stapled Group's investment properties comprise direct ownership of 82 freehold hotels of which 78 are classified as investment properties (non-current) and 4 are classified as assets held for sale (current). All 82 properties have long-term lease agreements in place with Australian Leisure and Hospitality Group (ALH).

The Stapled Group's policy is investment properties are subject to external valuation at least once every three years. At 30 June 2021, 36 properties were valued by external valuers and 44 properties were internally valued by the Directors' and 2 properties are valued based on the executed sales contract.

We focused on the important features of the Stapled Group's investment property valuation process. In order of application, these included:

• Key assumptions and methodology adopted in the external valuations: being capitalisation rates, discount rates, terminal yield and future rental income inputs (net passing rent, net market rent and 10 year average market rental growth) to the capitalisation rates (cap rate) and discounted cash flow (DCF) methodology. A key feature of the long- term leases that</td><td>Our procedures included:
• Understanding the Stapled Group's process regarding the valuation of investment properties, including how potential COVID-19 impacts have been considered;

• Assessing the methodologies used in the valuations of investment properties for consistency with accounting standards and the Stapled Group policies;

• Assessing the scope, competence and objectivity of external valuers engaged by the Stapled Group and internal valuers;

For all externally valued investment properties:

• Enquire with the external valuers (Savills, CKC and CBRE) to challenge the investment property valuation methodology and the assumptions applied in the external valuations;

• Challenging key assumptions including: capitalisation rates, discounts rates, terminal yield and future rental income inputs focusing on the outliers when compared to properties within the same region by considering publicly available sales evidence (including the investment properties sold by the Stapled Group during 2021), historical data and the property specific attributes including location, asset condition, land area and actual passing income;

• Challenging the Stapled Group's final investment property value by comparing the cap rate and DCF valuations, taking into consideration differences to property specific</td></tr>
</table>

impact DCF values are the rental assessments in 2018 and 2028 upon reversion to market based levels of rent. • Judgements in assessing the results: the Stapled Group adopts a final property value based on their evaluation of the results of the external valuers' work, taking into consideration property specific attributes. We spent significant effort in assessing the Stapled Group's judgements, their consistent application and available market comparators • COVID-19 considerations: we also paid particular attention to knowledge and sources of information available regarding market conditions specific to year end, versus those uncertainties or market knowledge at different dates.	attributes. These include location, asset condition, trading performance, land area and proximity to the next market rent reassessments; • Inspecting the outcome of the Stapled Group's 2018 rental determinations and how it was considered in the internal/external investment properties valuations; • Consulted with KPMG real estate valuation specialists to gain an understanding of prevailing market conditions, including existence of market transactions, and application of the Stapled Group's valuation methodologies; • We assessed sources of information for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Stapled Group's investment properties values; For all internally valued investment properties: • Inspecting the advice obtained from the external valuers on the weighted average change in capitalisation rates, including any outliers, and its application by the Directors' for internal valuations of investment properties; For the properties classified as assets held for sale: • Obtaining the executed sales contracts (where relevant) and inspecting the board meeting minutes evidencing the investment properties divestment plan and approval; • Assessing the classification and measurement of assets held for sale against accounting standard requirements; and For financial statement disclosure: • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtaining from our testing, against accounting standard requirements.

Other Information

Other Information is financial and non-financial information in ALE Property Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report of Australian and Entertainment Property Management Limited

The information below is a reproduction of our opinion on the Remuneration Report of Australian Leisure and Entertainment Property Management Limited, (the Company) as the Responsible Entity of Australian and Leisure Entertainment Property Trust.

Opinion

In our opinion, the Remuneration Report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included on pages 13 to 19 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

4 August 2021

Securityholders

The securityholder information as set out below was applicable as at 6 July 2021.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of Holders	Number of Securities	% of Issued Capital
1 - 1,000	1,047	353,172	0.18
1,001 - 5,000	1,703	4,803,391	2.40
5,001 - 10,000	923	6,965,179	3.48
10,001 - 100,000	1,427	37,156,528	18.53
100,001+	106	151,129,253	75.41
Total	5,206	200,407,523	100.00

The stapled securities are listed on the ASX and each stapled security comprises one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The number of securityholders holding less than a marketable parcel of stapled securities is 395.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	UBS Nominees Pty Ltd	26,562,878	13.25
2	Citicorp Nominees Pty Limited	19,198,328	9.58
3	Endeavour Group Limited	17,845,446	8.90
4	Brispot Nominees Pty Ltd	15,069,064	7.52
5	HSBC Custody Nominees (Australia) Limited	12,566,866	6.27
6	HSBC Custody Nominees (Australia) Limited - A/C 2	10,451,749	5.22
7	HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,593,606	2.79
8	J P Morgan Nominees Australia Pty Limited	5,353,695	2.67
9	HSBC Custody Nominees (Australia) Limited-GSI ESA	4,790,719	2.39
10	Manderrah Pty Ltd	2,045,745	1.02
11	National Nominees Limited	1,967,121	0.98
12	CS Third Nominees Pty Limited	1,808,575	0.90
13	Buttonwood Nominees Pty Ltd	1,547,503	0.77
14	Mr Alastair Charles Griffin	1,397,876	0.70
15	Mr Edward Furnival Griffin	1,397,875	0.70
16	Netwealth Investments Limited	1,188,676	0.59
17	Manderrah Pty Ltd	1,117,789	0.56
18	Mr David Stewart Field	812,000	0.41
19	Bt Portfolio Services Limited	742,494	0.37
20	Bond Street Custodians Limited	700,000	0.35
Totals: Top 20 Holders of Stapled Securities		132,158,005	65.94
Totals: Remaining Holders Balance		68,249,518	34.06

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 6 July 2021) are set out below:

Stapled S Name	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	81,551,851	40.69
Endeavour Group Limited	17,845,446	8.90
UBS Group AG	16,146,007	8.06

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. 9,080,010 NIVUS have been issued by the Trust to the Company and 200,407,523 units have been issued by the Trust to stapled securityholders. The NIVUS therefore represent 4.33% of the voting rights of the Trust.

E. ASX ANNOUNCEMENTS

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

2021	
04 Aug	Full Year Results, Annual Review / Report and Property Compendium released
09 Jul	Property valuations increased by 7.6%
05 Jul	Substantial Holder notice from Endeavour Group
01 Jul	Ceasing to be a substantial holder from WOW
29 June	Amended Company Constitution
29 June	Amended Trust Constitution
28 Jun	UBS Group AG substantial holding to 8.06%
22 Jun	UBS Group AG substantial holding to 10.7%
18 June	Half Year distribution of 10.75 cents declared
18 June	Full Year distribution of 21.50 cents announced
15 Jun	UBS Group AG substantial holding to 8.71%
08 Jun	UBS Group AG substantial holding to 10.67%
07 Jun	Change of Securityholder Registry
03 Jun	Sale of Non-Core Properties
22 Apr	Distribution Policy DRP Update
18 Mar	Capital Management Update
25 Feb	Taxation components of Distribution
10 Feb	Half Year results released

The following events will occur after the date of this Annual Report:

26 Oct	Annual General Meeting
06 Sep	2nd half distribution payment

2020	
16 Dec	Credit Rating
11 Dec	Half Year distribution of 10.75 cents declared
11 Dec	Capital Management Update
11 Dec	Capital Management Update
17 Nov	Annual General Meeting
16 Nov	Property Valuation - 31 October 2020
19 Oct	Rent Determinations
01 Oct	CEO Transition
16 Sep	Caledonia increases substantial holding to 41.23%
14 Aug	Taxation Components of Distribution
05 Aug	Full Year Results, Annual Review / Report and Property Compendium released
05 Aug	Property valuations increased by 0.94%
23 Jun	Half Year distribution of 10.45 cents declared
23 Jun	Full Year distribution of 20.90 cents announced
14 May	CEO Succession
27 Apr	Debt Capital Management Update
27 Apr	New Debt Facility
03 Apr	Caledonia increases substantial holding to 39.63%
05 Mar	1st half distribution payment
24 Feb	UBS Group AG increases substantial holding to 7.02%
17 Feb	Taxation Components of Distribution
05 Feb	Half Year results released
04 Feb	Property valuations as at 31 December 2019

INVESTOR INFORMATION

For the Year ended 30 June 2021

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.

Distribution Reinvestment Plan

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

Distributions

From 1 July 2021 Stapled security distributions are paid quarterly, normally in November, February, May and August.

Electronic Payment of Distributions

Securityholders must 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.

Annual Tax Statement

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

Publications

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

Website

The ALE website, www.alegroup.com.au, is a useful source of information for stapled securityholders. ASX announcements are also included. The ALE property website, www.aleproperties.com.au, provides further detailed information on ALE's property portfolio.

Securityholder Enquiries

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

Registered Office

Level 28:02 Australia Square Tower
264 George Street, Sydney NSW 2000
Telephone (02) 8231 8588

Company Secretary

Michael Clarke
Level 28:02 Australia Square Tower
264 George Street, Sydney NSW 2000
Telephone (02) 8231 8588

Auditors

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Custodian (of Australian Leisure and Entertainment Property Trust)

The Trust Company Limited
Level 13, 123 Pitt Street
Sydney NSW 2000

Trustee (of ALE Direct Property Trust)

The Trust Company (Australia) Limited
Level 13, 123 Pitt Street
Sydney NSW 2000

Registry

Link Market Services
Locked Bag A14, Sydney South, NSW 1235
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www.linkmarketservices.com.au