ALE PROPERTY GROUP

Appendix 4D

Half-year Report
Six Months Ended 31 December 2020

ALE PROPERTY GROUP

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278 and Australian Leisure and Entertainment Property Trust ARSN 106 063 049

Half yearly (tick)	Preliminary final (tick)	Half-Year ended ('current period'):
✓		**31 December 2020** (previous corresponding period 31 December 2019)

Results for announcement to the market

	6 months to 31 December 2020 A$'000	**6 months to 31 December 2019 A$'000**	Variance %
Rental revenue	**31,353**	**30,689**	2.2%
Total income	**83,012**	**39,697**	109.1%
Profit / (Loss) from ordinary activities after income tax, attributable to security holders	**68,081**	**20,498**	232.1%
Profit before income tax, fair value adjustments, amortisation of prepaid costs and other non-cash items (Distributable profit)	**17,946**	**15,635**	14.8%
Distribution payable for the half-year	**21,265**	**20,458**	3.9%
Available and under/(over) distributed at the half-year (paid from distributable profit and capital))	**(3,319)**	**(4,823)**	(31.2%)

Dividends (distributions)

	6 months to 31 December 2020 Cents	6 months to 31 December 2019 Cents	Variance %
December half-year interim distribution per security	**10.75**	10.45	2.9%
Franked amount per share	**0.00**	0.00	-
Record date for distribution entitlement	31 December 2020		
Interim distribution will be paid	5 March 2021		

ALE PROPERTY GROUP

Net tangible assets per security

	6 months to 31 December 2020	6 months to 31 December 2019	Variance %
Net tangible assets per security	**$3.24**	$3.09	4.9%

Explanation of results

Brief explanation of results

- Rental revenue increased by 2.2%. During the period Rent Determinations on 43 properties for CY2018 were received. The increase represents the aggregate impact of the rent determinations , CPI increase in rent for the determined properties for November 2019 and a CPI increase for all properties in November 2020.
- Total income has increased by 109.1% as there was a fair value increment to properties of $51.6 million in the current period ($8.8 million increment in December 2019).
- Profit after income tax for the period increased by $47.6 million due to:
  - Increment to property valuations of $51.6 million compared to an increment of $8.8 million in the prior period as property yields decreased from 5.08% to 4.94%;
  - Decrement to derivatives of $0.9 million in the current period compared to a decrement of $2.5 million in the prior period as the decrease in long term interest rates was not as significant then as they were in the current period; and
  - Management costs increased in the current period, due to costs associated with litigation commenced in the Victorian Supreme Court challenging the validity of 19 Victorian rent determinations, costs associated with the CEO transition and increases in insurance costs.
- The distribution of 10.75 cents per security was 2.9% higher than the previous comparable period.

Reconciliation of profit after tax to total available for distribution

	A$'000
Profit after income tax for half-year	**$68,081**
Plus / (Less)	
Fair value adjustments to investment properties	(51,590)
Fair value adjustments to derivatives	858
Employee security based payments	125
Finance costs – non cash	484
Income tax expense / (benefit)	(12)
Total available for distribution	**17,946**
Distribution payable	21,265
Available and under / (over) distributed at the half-year	**(3,319)**

Review Status

Independent auditor KPMG has completed a review of the accounts on which this report is based and provided an unqualified opinion.

A copy of the ALE Property Group 31 December 2020 Half-Year Financial Report with KPMG review opinion is attached.

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities

ABN 92 648 441 429

Half-Year Report 31 December 2020

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities

Report For the half-year ended 31 December 2020

ABN 92 648 441 429

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FINANCIAL STATEMENTS

31 December 2020

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 86 pub properties across the five mainland states of Australia. All the properties are leased to Australian Leisure and Hospitality Group Pty Limited (ALH).

WWW.ALEGROUP.COM.AU

DIRECTORS' REPORT

ALE Property Group ("ALE") comprises Australian Leisure and Entertainment Property Trust ("Trust") and its controlled entities including ALE Direct Property Trust ("Sub-Trust"), ALE Finance Company Pty Limited ("Finance Company") and Australian Leisure and Entertainment Property Management Limited ("Company") as the responsible entity of the Trust.

The registered office and principal place of business of ALE is level 10, 6 O'Connell Street, Sydney NSW 2000.

The directors of the Company present their report, together with the consolidated financial statements of ALE for the half-year ended 31 December 2020.

1. DIRECTORS

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

Name	Type	Appointed	Resigned
R W Mactier (Chairman)	Independent non-executive	28 November 2016	
P J Downes	Independent non-executive	26 November 2013	
N J Milne	Independent non-executive	6 February 2015	
P G Say	Independent non-executive	24 September 2014	
M P Triguboff	Non-executive	15 February 2018	
B S Stanton	Non-executive	13 September 2019	
G Farrands (Managing Director)	Executive	1 October 2020	
A F O Wilkinson (Managing Director)	Executive	16 November 2004	30 September 2020

2. PRINCIPAL ACTIVITIES

The principal activities of ALE consist of investment in property and associated property funds management. There has been no significant change in the nature of those activities during the half-year.

3. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

In the opinion of the Directors of the Company, no transaction or event of a material and unusual nature has occurred between the end of the financial half-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.

4. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

ALE will continue to maintain its focus on increasing the value to stapled securityholders.

On 3 July 2019 Woolworths announced that it intended to combine ALH and Endeavour Drinks and then separate the combined entity from Woolworths (Endeavour Group). On 16 December 2019 Woolworths shareholders voted to proceed with the merger of ALH and Endeavour Drinks. Due to the continuing impact of the COVID-19 pandemic the separation has been delayed. ALE will continue to monitor developments closely.

During the period rent determinations for November 2018 reviews were received ("Determinations"). Following a detailed review of the Determinations, ALE considered that the Determinations issued in relation to the 19 Victorian properties were not made in accordance with the requirements of the rent review provisions of the relevant leases. Therefore, ALE commenced proceedings in the Supreme Court of Victoria seeking declarations that the 19 Victorian Determinations are not in accordance with the relevant leases and are not binding on the parties. ALE also seeks a declaration that, in the event that new rent determinations are undertaken, they are to be conducted in accordance with the requirements of the rent review provisions that ALE considers are correct. ALE expects that a decision of the court providing guidance in relation to the rent review provisions in the leases will be relevant to rent determinations which are undertaken as at November 2028, when an uncapped and uncollared rent review is due for all properties (unlike the November 2018 reviews when a 10% cap and collar applied) where the tenant has exercised its option to renew the lease for a further ten years. ALE does not expect the proceedings to be finalised until the next financial year.

In December 2020 Moody's Investor Services affirmed ALE's Baa2 unsecured debt rating but as a result of ALE's capital management policy the outlook for the rating has been revised to negative. ALE is committed to maintaining an investment grade rating.

On 11 December 2020 ALE announced 2021 distribution guidance of 21.50 cents per security.

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.

5. DISTRIBUTIONS AND DIVIDENDS

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

	December 2020 cents per security	December 2019 cents per security	December 2020 $'000	December 2019 $'000
Interim Trust income distribution for the year ending 30 June 2021 to be paid on 5 March 2021	10.75	10.45	21,265	20,458
Interim Trust distribution	**10.75**	**10.45**	**21,265**	**20,458**

No provisions for or payments of Company dividends have been made during the half-year (2019: nil).

6. 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 86 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 7.8 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 may provide the opportunity for rental growth. Some of the significant features of the leases (for 83 of the 86 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 86 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 the change of control arises by virtue of ALH becoming 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 7.8 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.

Significant changes in the state of affairs

In the opinion of the directors, the following significant changes in the state of affairs of ALE occurred during the half-year:

- During September 2020 rent determinations on 43 properties were finalised. This concluded the first non CPI rent reviews for 79 of ALE's 86 properties that were due in 2018. Including the rents for the 36 properties that were previously agreed to increase by the full 10% cap, the rent for 79 properties subject to review increased by 4.4%
- The aggregate value of 86 individual properties increased to $1,225.8 million; and
- Net Assets increased by $56.5m to $641.1 million and net covenant gearing (gross borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets of ALE DPT) decreased to 39.7%.

Current half-year performance

ALE delivered a profit after tax of $68.1 million for the half-year ended 31 December 2020 compared to a profit of $20.5 million for the half-year ended 31 December 2019. The increase is primarily due to:

- Rental income increased by 2.16% due to the impact of rent determination issued in September 2020 and the part period impact of an average 0.64% CPI increase for all properties during the first half year;
- Fair value decrements to net derivatives decreased from $2.5 million in December 2019 to $0.9 million in the current period as the decrease in long term interest rates was not as significant in the prior periods;
- Fair value adjustments to investment properties increased from an increment of $8.8 million in December 2019 to an increment of $51.6 million in the current period as directors revalued all properties following the finalisation of the November 2018 Rent determinations in September 2020; and
- Management costs increased due to increases in insurance costs, costs associated with the CEO transition and legal costs associated with rent determination litigation.

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 adjustments arising from the effect of revaluing derivatives and investment properties, non-cash expenses and non-cash financing costs. ALE distributes more than Distributable Profit.

During the half-year ALE delivered a distributable profit of $17.9 million compared to $15.6 million in the previous half-year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was impacted by an increase in rent and increases in land tax and management costs.

	December 2020 $'000	December 2019 $'000
Profit after income tax for the half-year	**68,081**	**20,498**
Plus / (Less): Adjustments for non-cash items		
Fair value adjustments to investment properties	(51,590)	(8,820)
Fair value adjustments to derivatives	858	2,509
Employee share based payments	125	125
Finance costs - non-cash	484	1,326
Income tax expense/(benefit)	(12)	(3)
Total adjustments for non-cash items	**(50,135)**	**(4,863)**
Total available for distribution	**17,946**	**15,635**
Distribution paid or provided for	21,265	20,458
Over distributed for the half-year	**(3,319)**	**(4,823)**
Distribution funded as follows		
Current half-year distributable profits	17,946	15,635
Capital	3,319	4,823
	21,265	**20,458**

	Percentage Increase / (Decrease)	December 2020 Cents	December 2019 Cents
Earnings and distribution per stapled security:			
Basic earnings	229.99%	34.55	10.47
Earnings available for distribution	13.52%	9.07	7.99
Total distribution	0.00%	10.45	10.45
Current half-year distributable profits		9.07	7.99
Capital		1.38	2.46
		10.45	10.45

Financial position

ALE's net assets increased by $56.5 million compared with June 2020 primarily due to increased property values. Total liabilities remained stable during the period.

During the period the 2018 Rent Determinations were finalised and as a result the Directors had all investment properties independently valued to take into account the Determinations. Investment property valuations increased in value by 4.4% from $1,174.2 million to $1,225.8 million based on the independent valuations. The weighted average adopted capitalisation rate decreased from 5.08% to 4.94%.

When previously assessing statutory valuations at June 2020 the valuers applied both traditional capitalisation rate and discounted cash flow (DCF) based valuation methods. The average adopted property yields reflect a blend of these methods but continues to place significant emphasis upon the traditional capitalisation rate approach.

Valuers use a combination of the DCF and capitalisation rate methods to better reflect the quality of the lease, annual rent review structures and opportunities for reversion to market rent levels. The valuers also had regard to the results of the rent determinations finalised in September 2020. 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 4.61% for the portfolio valued. This compares to the adopted yield of 4.94% for all the properties valued which was derived using a combination of the DCF and capitalisation rate methods.

The DRP was reactivated for the 7th September 2020 distribution payment. Approximately 48% of securityholdings participated in the DRP and this reduced the cash required for the distribution payment by $9.86 million.

During the half year covenant gearing reduced from 41.3% to 39.7% for the AMTN issuing entity, ALE DPT. ALE continues to maintain appropriate headroom to all debt covenants with the nearest covenant trigger equivalent to an average 36% fall in property values.

ALE's debt capital structure continues to be characterised by the following positive features:
- investment grade credit rating of Baa2 (negative);
- debt maturity dates that are diversified over the next 2.9 years;
- 100% of forecast net debt hedged for the next 4.9 years;
- interest cover ratio well above covenant level at 3.0 times;
- all up cash interest rate of 3.15% p.a. fixed until the next step up in April 2021; and
- lower covenant gearing of 39.7% (June 2020: 41.3%).

During the period ALE deferred the start date of the existing forward start derivatives from 20 November 2020 to 20 May 2021. This is cash neutral in the current financial year.

Business strategies and future prospects

ALE holds a positive outlook for the 2028 rent review prospects for the portfolio. During the period the first major review was concluded which resulted in rents increasing by 4.4%. As detailed above ALE has commenced legal proceeding in the Supreme Court of Victoria in relation to the Victorian determinations. ALE expects that a decision of the court providing guidance in relation to the rent review provisions in the leases will be relevant to rent determinations which are undertaken as at November 2028, when an uncapped and uncollared rent review is due for all properties (unlike the November 2018 reviews when a 10% cap and collar applied) where the tenant has exercised its option to renew the lease for a further ten years.

ALE will seek to work constructively with ALH with a focus on maintaining and exploring the potential to further enhance the properties' existing profitability through development or better site utilisation.

COVID-19

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions 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. Since 30 June 2020 there have been a number of 2nd wave infections throughout various states of Australia and the prospects of an ending to the pandemic cannot be predicated at this time.

To date there has been minimal impact on ALE's operating performance or financial position, and property values, as determined independently, have increased, showing the resilience and strength of ALE's long-term the lease covenants and the operating and financial strength of the lessee. The Directors and management continue to monitor the situation closely and expect the year ahead to be challenging as the recovery from the effects of the pandemic, from a financial and community perspective, will be long lasting.

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. During the financial period ALH has been paying rent in accordance with the requirements of the leases. 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.

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 include:

Risk	Impact	Risk Management Mitigation
COVID-19 Risk	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.	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	All 86 of ALE's pub properties are leased to a single tenant, ALH which is owned by Endeavour Group Limited. Endeavour Group is owned by Woolworths (85.4%) and the Bruce Mathieson Group (14.6%). In addition 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.	ALE manages this risk by monitoring the operating performance of 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.
Property Valuation Risk	The value of properties that ALE owns may be impacted by movements in the Australian commercial property markets, tenant performance, changes in rent and the general economy and levels of long and short term interest rates	ALE is unable to control the market forces that impact ALE's property values however ALE constantly 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 December 2020 the closest debt covenant would be triggered by a decline of around 36% in property values and a resultant average capitalisation rate of 7.69%. 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	ALE currently has outstanding borrowings of $556 million, representing a covenant gearing level of 39.7%. 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.	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 3.11% and 3.46%. ALE proactively staggers debt maturities, continually monitors debt markets, actively seeks to maintain an investment grade and maintains relationships with diverse funding markets to maximise the opportunity for multiple funding options.

Risk	Impact	Risk Management Mitigation
Liquidity risk	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.	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 seeks to approach debt markets for refinancing well in advance of the scheduled debt maturity dates.
Regulatory Risk	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.	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	ALE may be unable to recruit, retain and motivate key personnel.	ALE has a small management team and employee base. Key person risk is therefore significant. To mitigate this risk ALE seeks to document material 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	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.	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.

7. 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 7.

8. ENVIRONMENTAL REGULATION

While ALE is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibilities and compliance with various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. At three properties, ongoing testing and monitoring is being undertaken and minor remediation work is required, however, in most cases ALE is indemnified by third parties against any remediation amounts likely to be required. ALE does not expect to incur any material environmental liabilities.

9. 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
Sydney

Guy Farrands
Managing Director
Sydney

Dated this 10th day of February 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 review of ALE Property Group (comprising Australian Leisure and Entertainment Property Trust and its controlled entities) for the half-year ended 31 December 2020 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

10 February 2021

FINANCIAL STATEMENTS

Half-Year Report for the period ended 31 December 2020

Notes to the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

Half-Year Report for the period ended 31 December 2020

	Note	December 2020 $'000	December 2019 $'000
Revenue			
Rent from investment properties		31,353	30,689
Interest from cash deposits		69	188
Total revenue		**31,422**	**30,877**
Other income			
Fair value increments to investment properties	2	51,590	8,820
Total other income		**51,590**	**8,820**
Total income		**83,012**	**39,697**
Expenses			
Fair value decrements to derivatives		858	2,509
Finance costs	4.1	8,933	12,373
Queensland land tax expense		1,672	1,659
Other expenses		3,480	2,661
Total expenses		**14,943**	**19,202**
Profit before income tax		**68,069**	**20,495**
Income tax expense/(benefit)		(12)	(3)
Profit after income tax expense		**68,081**	**20,498**
Other comprehensive income		**-**	**-**
Other comprehensive income for the period after income tax		**-**	**-**
Total comprehensive income for the period		**68,081**	**20,498**
Profit attributable to:			
Members of ALE		68,081	20,498
Profit for the period		68,081	20,498
Total comprehensive income attributable to:			
Members of ALE		68,081	20,498
Total comprehensive income for the period		68,081	20,498
		Cents	**Cents**
Diluted earnings per stapled security	4.3	34.52	10.46
Basic earnings per stapled security	4.3	34.55	10.47

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

STATEMENT OF FINANCIAL POSITION

For the Half-Year Ended 31 December 2020

	Note	December 2020 $'000	June 2020 $'000
Current assets			
Cash and cash equivalents	3.5	42,541	39,568
Receivables		378	80
Other		407	709
Total current assets		**43,326**	**40,357**
Non-current assets			
Investment properties	2	1,225,750	1,174,160
Plant and equipment		15	25
Right of use assets		52	34
Deferred tax asset		318	306
Total non-current assets		**1,226,135**	**1,174,525**
Total assets		**1,269,461**	**1,214,882**
Current liabilities			
Payables		7,144	6,047
Employee entitlements		316	292
Lease liability		52	42
Distribution payable		21,265	20,458
Total current liabilities		**28,777**	**26,839**
Non-current liabilities			
Borrowings	3.1	551,896	551,412
Derivatives	3.2	47,657	52,030
Total non-current liabilities		**599,553**	**603,442**
Total liabilities		**628,330**	**630,281**
Net assets		**641,131**	**584,601**
Equity			
Contributed equity	3.3	267,976	258,118
Reserve		681	804
Retained profits		372,474	325,679
Total equity		**641,131**	**584,601**
		$	$
Net assets per stapled security		**$3.24**	**$2.99**

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

STATEMENT OF CHANGES IN EQUITY

	Share Capital $'000	Share based payments reserve $'000	Retained Earnings $'000	Total $'000
Half-year ended 31 December 2020				
Total equity at the beginning of the half-year	**258,118**	**804**	**325,679**	**584,601**
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	68,081	68,081
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	68,081	68,081
DRP securities issued	9,858	-	-	9,858
Employee security based payments	-	125	-	125
Employee security based payments - securities purchased	-	(248)	(21)	(269)
Distribution paid or payable	-	-	(21,265)	(21,265)
Total equity at the end of the half-year	**267,976**	**681**	**372,474**	**641,131**
Half-year ended 31 December 2019				
Total equity at the beginning of the half-year	**258,118**	**782**	**346,669**	**605,569**
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	20,498	20,498
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	20,498	20,498
Adjustment on initial application of AABS 16	-	-	(27)	(27)
Employee security based payments	-	125	-	125
Employee security based payments - securities purchased	-	(182)	(70)	(252)
Distribution paid or payable	-	-	(20,458)	(20,458)
Total equity at the end of the half-year	**258,118**	**725**	**346,612**	**605,455**

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

STATEMENT OF CASH FLOWS

Half-Year Report for the period ended 31 December 2020

	Note	December 2020 $'000	December 2019 $'000
Cash flows from operating activities			
Receipts from tenant and others		34,452	33,794
Payments to suppliers and employees		(7,388)	(9,794)
Interest received		76	195
Interest received - interest rate hedges (net)		-	335
Borrowing costs paid		(8,268)	(11,360)
Net cash inflow from operating activities		**18,872**	**13,170**
Cash flows from investing activities			
Payments for plant and equipment		-	-
Payments for investment properties		-	-
Net cash inflow / (outflow) from investing activities		**-**	**-**
Cash flows from financing activities			
Payment of lease liabilities		(68)	(59)
Payment of derivative liability		(5,231)	-
Distributions paid*		(10,600)	(20,458)
Net cash inflow / (outflow) from financing activities		**(15,899)**	**(20,517)**
Net increase / (decrease) in cash and cash equivalents held		**2,973**	**(7,347)**
Cash and cash equivalents at the beginning of the half-year		39,568	33,111
Cash and cash equivalents at the end of the half-year	3.5	**42,541**	**25,764**

* During the period $9.858 million of the September 2020 distribution payment was fulfilled through the issue of securities under the ALE Distribution Reinvestment Plan.

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

	December 2020 $'000	December 2019 $'000
Profit for the year	68,081	20,498
Plus/(less):		
Fair value decrements/(increments) to investment property	(51,590)	(8,820)
Fair value decrements to derivatives	858	2,509
Finance costs amortisation	1,369	222
CIB Accumulated indexation	(885)	1,104
Share based payments expense	125	125
Share based payments securities purchased	(269)	(252)
Depreciation	70	58
Decrease/(increase) in -		
Receivables	(298)	(3)
Deferred tax assets	(12)	(7)
Other assets	302	(1,643)
Increase/(decrease) in -		
Payables	1,097	(591)
Employee entitlements	24	(30)
Net cash inflow from operating activities	**18,872**	13,170

The above consolidated 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 31 December 2020.

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.

The Company is the Responsible Entity of the Trust.

Statement of compliance
This general purpose financial report for the interim half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by ALE during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated financial statements were authorised for issue by the Board of Directors on 10th February 2021.

Going concern basis of accounting
The consolidated financial statements have been prepared on a going concern basis.

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	3.2

Significant accounting policies
Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020.

The Group has adopted no new standards and amendments to standards, including any consequential amendments to other standards.

Measurement of fair values
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 regularly review significant inputs not based on observable market data and valuation adjustments. If third party information, such as bank valuations or independent valuations, is used to measure fair values then management assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASB, 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 (ACRMC).

1. About this report

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 that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

COVID-19 Disclosures

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions 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. Since 30 June 2020 there have been a number of 2nd wave infections throughout various states of Australia and the prospects of an ending to the pandemic cannot be predicated at this time.

To date there has been minimal impact on ALE's operating performance or financial position. The Directors continue to monitor the situation closely and expect the year ahead to be challenging as the recovery from the effects of the pandemic, from a financial and community perspective, will be long lasting.

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. During the financial period ALH has been paying rent in accordance with the requirements of the leases. 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.

2. Investment property

This section provides information relating to the investment properties of the Group. ALE has a strong focus on maintaining a quality investment grade portfolio of freehold pub properties.

	December 2020 $'000	June 2020 $'000
Investment properties	1,225,750	1,174,160
Reconciliation of fair value gains for half-year ending 31 December 2020		
Fair value as at beginning of the half-year	1,174,160	1,172,050
Additions during half-year	-	
Carrying amount before revaluations	**1,174,160**	1,172,050
Fair value as at end of the half-year	1,225,750	1,174,160
Fair value gain / (loss) for half-year	**51,590**	2,110

Recognition and measurement

Properties (including land and buildings) are held for long term rental yields and capital appreciation are classified as investment properties.

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

Subsequent expenditure is capitalised to the properties' carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to ALE and the cost of the item can be reliably measured. Maintenance and capital works expenditure is the responsibility of the tenant under the triple net leases in place over 83 of the 86 properties. For the remaining three properties, maintenance and repairs that are considered capital works expenditure and structural maintenance is the responsibility of ALE. ALE undertakes periodic condition and compliance reviews by a qualified independent consultant to ensure properties are properly maintained.

Land and buildings that comprise investment property are not depreciated.

The carrying value of the investment property is reviewed at each reporting date and each property is independently revalued at least every three years. Changes in the fair values of investment properties are recorded in the Statement of Comprehensive Income.

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

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 31 December 2020, the weighted average property yield was 4.94% (June 2020: 5.08%).

In accordance with the Board's Valuation Policy an independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties at least once every three years on a rotation basis. These external independent valuations are taken into consideration by the Directors when determining the fair value of the investment properties. The weighted average lease term of the properties is around 8 years.

2. Investment property

Measurement of fair value (continued)

30 June 2020
As at June 2020 ALE had all properties, apart from those located in Western Australia, independently valued. The Western Australian properties were subject to Directors valuations. These valuations were completed by CBRE and Savills. These properties are identified as "A".

The 4 WA properties were subject to Directors' valuations as at 30 June 2020, identified as "B". The Directors' valuations of the 4 properties were determined by taking each property's net rent as at 30 June 2020 and capitalising it at a rate equal to the prior year capitalisation rate for that property.

31 December 2020
In September 2020 the November 2018 rent determinations were issued. 79 properties out of 86 that were subject to a rent review, of which 36 had been agreed to receive a 10% increase. The remaining 43 properties were subject to an independent determination process. Following the issuing of the determinations on the 43 properties the Directors had all of ALE's properties valued as at 31 October 2020. The valuations were performed by CBRE, Savills and Opteon. For December 2020 the Directors received advice from the independent valuers that there had been no significant change in market conditions that would alter their opinion on property values and that the Directors could rely on the October valuations as at 31 December 2020. Accordingly the Directors have elected to value ALE's properties at the values determined by the Independent valuers during October 2020. These properties are identified as "C".

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

Valuation methodologies

Discounted cash flow
The discounted cash flow method calculates a property's value by using projections of reliable estimates of future cash flows, derived from the term of existing leases, and from external evidence such as current market rents for similar properties in the same area and condition, and using discount rates that reflect the current market assessments of the uncertainty in the amount and timing of cash flows specific to the property.

Capitalisation of income valuation
The capitalisation of income valuation method capitalises the current rent received, at a rate analysed from the most recent transactions of comparable property investments. The capitalisation rate used varies across properties. Valuations reflect, where appropriate, the quality of the tenant, lease term remaining, the relationship of current rent to the market rent, location and prevailing investment market conditions.

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 indicates that demand still exists for prime assets secured by strong tenant covenants with long lease terms and yields are holding to 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.

A table showing the range of property yields applied to individual properties for each state in which the property is held is included below.

	December 2020 Average property yields	June 2020 Average property yields	**December 2020 Average**	June 2020 Average
New South Wales	**3.84% - 5.24%**	4.46% - 5.86%	**4.58%**	5.02%
Queensland	**3.33% - 6.49%**	2.80% - 5.77%	**4.78%**	5.07%
South Australia	**4.19% - 5.76%**	3.42% - 6.29%	**5.20%**	5.01%
Victoria	**2.75% - 5.82%**	4.20% - 5.77%	**5.06%**	5.12%
Western Australia	**5.77% - 7.14%**	5.80% - 6.93%	**6.28%**	6.29%

2. Investment property

The fair value measurement for investment property of $1,225.75 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

Valuation techniques and unobservable inputs

Fair Value Hierarchy	Class of Property	Fair Value December 2020 $000's	Valuation Technique	Inputs Used To Measure Fair Value	Range of Individual Property Unobservable inputs (December 2020 valuations)
Level 3	Pubs	1,225,750	Capitalisation method	Gross rent p.a. ($'000's) Land tax p.a. ($'000's) Adopted yields	$84 - $1,890 $8 - $193 2.75% - 7.14%
			Discounted cash flow method	Gross rent p.a. ($'000's) Land tax p.a. ($'000's) Discount rates p.a. Terminal capitalisation rates Consumer price index p.a.	$84 - $1,890 $8 - $193 4.75% - 8.50% 4.00% - 9.00% 2.00% - 2.60%

Sensitivity analysis

Due to the uncertainty the COVID-19 pandemic is currently having on property values, sensitivity analysis has been undertaken to further stress test the assessment of fair value undertaken for 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 31 December 2020, 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 undertaken by adjusting the metrics used by the valuers for each property to determine an adapted 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				
	'000's	***(0.50%)***	***(0.25%)***	**0.00%**	**0.25%**	**0.50%**
Capitalisation Rate Movement	***(0.50%)***	1,339,850	1,333,800	1,328,050	1,322,350	1,316,900
	(0.25%)	1,285,850	1,279,750	1,274,050	1,268,200	1,262,850
	0.00%	1,237,450	1,231,450	**1,225,750**	1,220,250	1,214,600
	0.25%	1,193,400	1,187,700	1,181,900	1,176,250	1,170,650
	0.50%	1,153,850	1,148,100	1,142,200	1,136,250	1,131,100

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 $114.1 million and ($94.65 million). This equates to between 9.31% and (7.72%) movement in values. Even at this unlikely worst case scenario, this would not result in Property values approaching the 33% 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 blend of Capitalisation Rate and DCF based values as they applied to the October 2020 independent valuations included in these accounts.

2. Investment property

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.

Leasing arrangements

83 of the 86 properties in the portfolio are leased to ALH on a triple net basis for 25 years, mostly starting in November 2003, with four 10 year options for ALH to renew. The remaining three properties are leased to ALH on a double net basis.

	December 2020 $'000	**December 2019 $'000**
(i) Future minimum lease payments		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	62,631	63,259
Later than one year but not later than five years	263,302	265,941
Later than five years	272,573	350,657
	598,506	679,857
(ii) Amount		
Rental income	31,353	30,689

The majority of ALE's leases expire in November 2028 and have four options of 10 years to extend. As the exercise of the options are unknown at this point the future minimum lease payments exclude the options. The comparative numbers have been calculated on the same basis.

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 the four subsequent ten year terms if the lease is not renewed, there is a call option for ALE (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence is to be included or excluded at the tenant’s option. These assets are to be purchased at current value, at that time, as determined by the valuation methodology set out in the leases. ALE must pay the purchase price on expiry of the lease. Any leasehold improvements funded and completed by the tenant will be purchased by ALE from the tenant at each property for an amount of $1.

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 2020 with a valuation date of 30 June 2020.
B	Directors' valuations conducted during June 2020 with a valuation date of 30 June 2020.
C	Independent valuations conducted during October 2020 with a valuation date of 31 December 2020.

Properties were purchased in November 2003, unless otherwise indicated.

2. Investment property

Property	Cost including additions $'000	Valuation type	Fair value at December 2020 $'000	Fair value at June 2020 $'000	Fair Value gains/ (losses) for December 2020 $'000
New South Wales					
Blacktown Inn, Blacktown	5,472	A, C	16,000	14,300	1,700
Brown Jug Hotel, Fairfield Heights	5,660	A, C	16,300	15,000	1,300
Colyton Hotel, Colyton	8,208	A, C	22,300	21,700	600
Crows Nest Hotel, Crows Nest	8,772	A, C	27,700	23,800	3,900
Melton Hotel, Auburn	3,114	A, C	8,800	8,400	400
Narrabeen Sands Hotel, Narrabeen (Mar 09)	8,945	A, C	17,400	16,000	1,400
New Brighton Hotel, Manly	8,867	A, C	12,600	11,600	1,000
Pioneer Tavern, Penrith	5,849	A, C	16,900	15,400	1,500
Pritchard's Hotel, Mount Pritchard (Oct 07)	21,130	A, C	36,100	31,300	4,800
Smithfield Tavern, Smithfield	4,151	A, C	12,100	10,400	1,700
Total New South Wales properties	**80,168**		**186,200**	**167,900**	**18,300**
Queensland					
Albany Creek Tavern, Albany Creek	8,396	A, C	20,800	18,800	2,000
Alderley Arms Hotel, Alderley	3,303	A, C	7,400	7,500	(100)
Anglers Arms Hotel, Southport	4,434	A, C	12,600	11,700	900
Balaclava Hotel, Cairns	3,304	A, C	14,200	13,000	1,200
Breakfast Creek Hotel, Breakfast Creek	11,024	A, C	25,000	23,800	1,200
Burleigh Heads Hotel, Burleigh Heads (Nov 08)	6,685	A, C	17,000	15,200	1,800
Camp Hill Hotel, Camp Hill	2,265	A, C	6,600	6,400	200
Chardons Corner Hotel, Annerly	1,416	A, C	4,300	3,800	500
Dalrymple Hotel, Townsville	3,208	A, C	14,500	13,100	1,400
Edge Hill Tavern, Manoora	2,359	A, C	7,400	6,300	1,100
Edinburgh Castle Hotel, Kedron	3,114	A, C	7,500	7,700	(200)
Four Mile Creek, Strathpine (Jun 04)	3,672	A, C	10,300	9,600	700
Hamilton Hotel, Hamilton	6,604	A, C	17,500	17,000	500
Holland Park Hotel, Holland Park	3,774	A, C	15,600	15,400	200
Kedron Park Hotel, Kedron Park	2,265	A, C	3,400	4,800	(1,400)
Kirwan Tavern, Townsville	4,434	A, C	13,300	12,300	1,000
Lawnton Tavern, Lawnton	4,434	A, C	8,800	9,800	(1,000)
Miami Tavern, Miami	5,548	A, C	17,970	15,770	2,200
Mount Gravatt Hotel, Mount Gravatt	3,208	A, C	8,300	7,500	800
Mount Pleasant Tavern, Mackay	1,794	A, C	12,000	10,900	1,100
Noosa Reef Hotel, Noosa Heads (Jun 04)	6,874	A, C	12,100	11,500	600
Nudgee Beach Hotel, Nudgee	3,020	A, C	7,600	7,000	600
Palm Beach Hotel, Palm Beach	6,886	A, C	15,700	14,900	800
Pelican Waters, Caloundra (Jun 04)	4,237	A, C	7,600	7,600	-
Prince of Wales Hotel, Nundah	3,397	A, C	10,100	9,600	500
Racehorse Hotel, Booval	1,794	A, C	7,200	6,900	300
Redland Bay Hotel, Redland Bay	5,189	A, C	10,500	10,500	-
Royal Exchange Hotel, Toowong	5,755	A, C	10,100	10,100	-
Springwood Hotel, Springwood	9,150	A, C	24,400	21,500	2,900
Stones Corner Hotel, Stones Corner	5,377	A, C	11,000	11,000	-
Vale Hotel, Townsville	5,661	A, C	15,700	13,600	2,100
Wilsonton Hotel, Toowoomba	4,529	A, C	14,200	13,400	800
Total Queensland properties	**147,110**		**390,670**	**367,970**	**22,700**

Notes to the financial statements (continued)

Half-Year Report for the period ended 31 December 2020

2. Investment property

Property	Cost including additions $'000	Valuation type	Fair value at December 2020 $'000	Fair value at June 2020 $'000	Fair Value gains/ (losses) for December 2020 $'000
South Australia					
Aberfoyle Hub Tavern, Aberfoyle Park	3,303	A, C	7,500	7,200	300
Eureka Tavern, Salisbury	3,303	A, C	5,900	6,350	(450)
Exeter Hotel, Exeter	1,888	A, C	5,300	5,000	300
Finsbury Hotel, Woodville North	1,605	A, C	4,650	4,700	(50)
Gepps Cross Hotel, Blair Athol	2,507	A, C	8,100	8,000	100
Hendon Hotel, Royal Park	1,605	A, C	4,700	4,200	500
Stockade Tavern, Salisbury	4,435	A, C	5,900	6,150	(250)
Total South Australian properties	**18,646**		**42,050**	**41,600**	**450**
Victoria					
Ashley Hotel, Braybrook	3,963	A, C	11,300	11,300	-
Bayswater Hotel, Bayswater	9,905	A, C	22,450	21,800	650
Berwick Inn, Berwick (Feb 06)	15,888	A, C	19,500	20,800	(1,300)
Blackburn Hotel, Blackburn	9,433	A, C	17,700	19,200	(1,500)
Blue Bell Hotel, Wendouree	1,982	A, C	5,800	5,500	300
Boundary Hotel, East Bentleigh (Jun 08)	17,943	A, C	25,350	27,500	(2,150)
Burvale Hotel, Nunawading	9,717	A, C	27,100	25,000	2,100
Club Hotel - FTG, Ferntree Gully	5,095	A, C	10,400	11,500	(1,100)
Cramers Hotel, Preston	8,301	A, C	19,350	18,300	1,050
Deer Park Hotel, Deer Park	6,981	A, C	18,250	17,500	750
Doncaster Inn, Doncaster	12,169	A, C	30,250	26,600	3,650
Ferntree Gully Hotel/Motel, Ferntree Gully	4,718	A, C	8,000	9,400	(1,400)
Gateway Hotel, Corio	3,114	A, C	9,850	9,800	50
Keysborough Hotel, Keysborough	9,622	A, C	26,700	26,500	200
Mac's Melton Hotel, Melton	6,886	A, C	17,500	17,000	500
Meadow Inn Hotel/Motel, Fawkner	7,689	A, C	21,000	20,000	1,000
Mitcham Hotel, Mitcham	8,584	A, C	17,950	17,800	150
Morwell Hotel, Morwell	1,511	A, C	2,700	3,100	(400)
Olinda Creek Hotel, Lilydale	3,963	A, C	8,400	8,900	(500)
Pier Hotel, Frankston	8,019	A, C	15,300	16,700	(1,400)
Plough Hotel, Mill Park	8,490	A, C	20,600	19,550	1,050
Prince Mark Hotel, Doveton	9,810	A, C	23,950	22,000	1,950
Royal Exchange, Traralgon	2,171	A, C	7,000	7,000	-
Sandbelt Club Hotel, Moorabbin	10,849	A, C	27,400	24,350	3,050
Sandown Park Hotel/Motel, Noble Park	6,321	A, C	16,000	16,000	-
Sandringham Hotel, Sandringham	4,529	A, C	15,300	13,000	2,300
Somerville Hotel, Somerville	2,733	A, C	8,500	8,500	-
Stamford Inn, Rowville	12,733	A, C	30,250	30,100	150
Sylvania Hotel, Campbellfield	5,377	A, C	13,400	13,350	50
The Vale Hotel, Mulgrave	5,566	A, C	16,000	16,000	-
Tudor Inn, Cheltenham	5,519	A, C	11,300	11,900	(600)
Village Green Hotel, Mulgrave	12,546	A, C	25,850	25,550	300
Young & Jackson, Melbourne	6,132	A, C	23,950	23,400	550
Total Victorian properties	**248,259**		**574,350**	**564,900**	**9,450**
Western Australia					
Queens Tavern, Highgate	4,812	B, C	10,450	10,090	360
Sail & Anchor Hotel, Fremantle	3,114	B, C	5,180	4,700	480
The Brass Monkey Hotel, Northbridge (Nov 07)	7,815	B, C	9,500	9,550	(50)
Balmoral Hotel, East Victoria Park (Jul 07)	6,645	B, C	7,350	7,450	(100)
Total Western Australian properties	**22,386**		**32,480**	**31,790**	**690**
Total investment properties	**516,569**		**1,225,750**	**1,174,160**	**51,590**

3.
Capital structure and financing

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

3.1 Borrowings

	December 2020 $'000	June 2020 $'000
Non-current borrowings		
Capital Indexed Bond (CIB)	155,503	156,336
Australian Medium Term Notes (AMTN)	149,673	149,576
Debt facility	246,720	245,500
	551,896	**551,412**

CIB	December 2020 $'000	June 2020 $'000
Gross value of debt	111,900	111,900
Accumulated indexation	43,957	44,842
Unamortised borrowing costs	(354)	(406)
Net balance	**155,503**	**156,336**

$125 million of CIB was issued in May 2006 of which $111.9 million face value remains outstanding. A fixed rate of interest of 3.40% p.a. (including credit margin) applies to the CIB and is payable quarterly, with the outstanding balance of the CIB accumulating quarterly in line with the national consumer price index. The total amount of the accumulating indexation is not payable until maturity of the CIB in November 2023.

AMTN	December 2020 $'000	June 2020 $'000
Gross value of debt	150,000	150,000
Unamortised borrowing costs	(327)	(424)
Net balance	**149,673**	**149,576**

The AMTN are fixed rate securities with interest payable semi annually.

Debt facility	December 2020 $'000	June 2020 $'000
Gross value of debt	250,000	250,000
Unamortised borrowing costs	(3,280)	(4,500)
Net balance	**246,720**	**245,500**

On 24 April 2020 a $250 million debt facility was established. The facility has an initial term of one year and ALE has the right to extend the facility for an additional year. Additional fees apply if the loan remains on foot beyond 27 April 2021. The facility can be repaid at any time without penalty.

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:

	December 2020 $'000	June 2020 $'000
Current assets		
Cash - CIB borrowings reserves	9,920	9,920
Non-current assets		
Total investment properties	1,225,750	1,174,160
Less: Properties not subject to mortgages:		
Pritchard's Hotel, NSW	(36,100)	(31,300)
Miami Hotel, QLD[1]	(1,470)	(1,470)
Properties subject to mortgages	1,188,180	1,141,390
Total assets pledged as security	**1,198,100**	1,151,310

1. Adjoining property purchased in April 2018

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

Notes to the financial statements (continued)

Half-Year Report for the period ended 31 December 2020

3. Capital structure and financing

Terms and Repayment Schedule

	Nominal Interest Rate	Maturity Date[1]	31 December 2020 Face Value $'000	31 December 2020 Carrying Amount $'000	30 June 2020 Face Value $'000	30 June 2020 Carrying Amount $'000
AMTN	4.00%	Aug-2022	150,000	150,000	150,000	150,000
Debt facility	2.50%[2]	Apr-2022	250,000	250,000	250,000	250,000
CIB	3.40%[3]	Nov-2023	111,900	155,857	111,900	156,742
			511,900	555,857	511,900	556,742
Unamortised borrowing costs				(3,961)		(5,330)
Total borrowings				551,896		551,412

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing.
2. Interest is payable at the nominal floating rate +margin. Hedging applies from August 2020. Nominal rate increases by 0.75% every six months commencing August 2020.
3. Interest is payable on the indexed balance of the CIB at a fixed rate.

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

	CIB Borrowings	AMTN 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				
Repayment of borrowings		-	-	-
Total changes from financing cash flows	-	-	-	-
Other changes				
Amortisation of capitalised borrowing costs	52	97	1,220	1,369
Accumulated indexation	(885)	-	-	(885)
Total other changes	(833)	97	1,220	484
Balance as at 31 December 2020	155,503	149,673	246,720	551,896

3.2 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2020.

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.

AMTN and CIB Borrowings are classed as Level 2.

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

	Carrying Amount $'000	Fair Value $'000
31 December 2020		
CIB	155,503	171,228
AMTN	149,673	154,674
Debt facility	246,720	250,000
	551,896	**575,902**

	Carrying Amount $'000	Fair Value $'000
30 June 2020		
CIB	156,336	167,384
AMTN	149,576	153,793
Debt facility	245,500	250,000
	551,412	**571,177**

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

3. Capital structure and financing

Interest rate hedges

ALE uses derivative financial instruments, being interest rate hedges, to manage its exposure to interest rate risk on borrowings. As at balance date, ALE has hedged all non CIB net borrowings past the maturity date of the AMTN through nominal interest rate hedges.

	December 2020 $'000	June 2020 $'000
Current assets	-	-
Non current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non current liabilities	(47,657)	(52,030)
Total liabilities	(47,657)	(52,030)
Net assets / (liabilities)	(47,657)	(52,030)

Fair value adjustments to derivatives

	December 2020 $'000	December 2019 $'000
Fair value increments/ (decrements) to interest rate derivatives	(858)	(2,509)

During the period ALE deferred the start date of the existing forward start derivatives from 20 November 2020 to 20 May 2021. This required a $5.2 million derivative liability cash payment although it is cash neutral in the current financial year.

At 31 December 2020, the notional principal amounts and periods of expiry of the interest rate derivative contracts are as follows:

	Nominal Interest Rate Hedges	
	December 2020 $'000	June 2020 $'000
Less than 1 year	-	-
1 - 2 years	-	-
2 - 3 years	-	-
3 - 4 years	-	-
4 - 5 years	506,000	-
Greater than 5 years	-	506,000
	506,000	506,000

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 documents, at the inception of any hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. ALE also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

To date, ALE has not designated any of its derivatives as cash flow hedges and accordingly ALE has valued them all at fair value with movements recorded in the Statement of Comprehensive Income.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the Statement of Comprehensive Income.

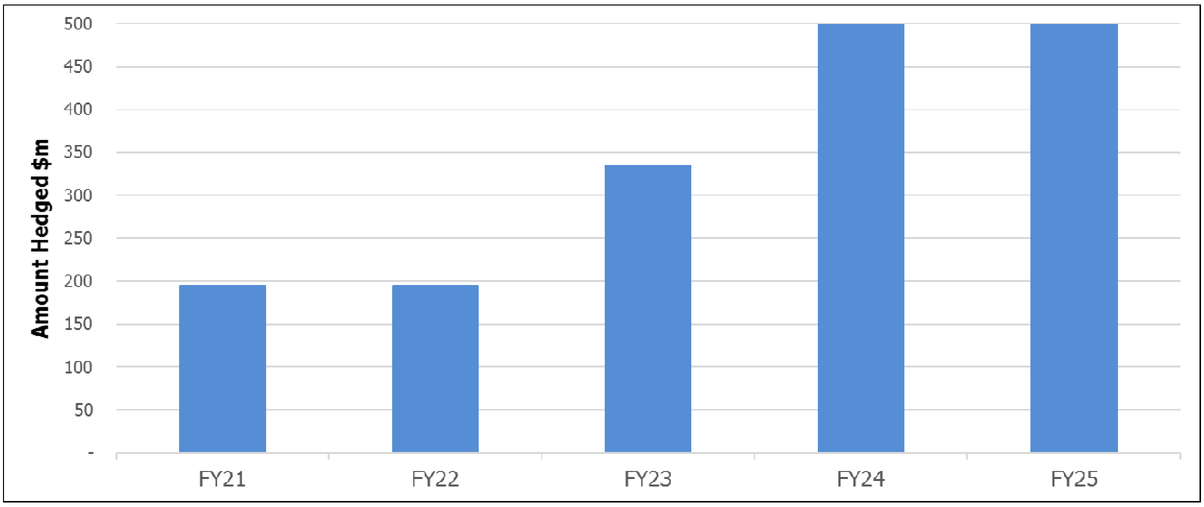
3. Capital structure and financing

ALE has a series of forward start hedges which commence on the maturity of the 2022 AMTN and 2023 CIB borrowings. During the period ALE deferred the start date of the these forward start derivatives from 20 November 2020 to 20 May 2021. The hedges terminate in November 2025.

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 4.9 years at 31 December 2020.

The following chart shows the hedge balances over the life of the hedges.



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
CIB	ALH EBITDAR to be greater than 1.1 times CIB interest expense	42.5x	Note holders may call for notes to be redeemed
AMTN	ALE DPT EBITDA to be greater than or equal to 1.5 times ALE DPT interest expense	2.92x	Note holders may call for notes to be redeemed
Debt facility	As per AMTN	2.92x	Lender may call for loan to be repaid
Hedging	As per AMTN	2.92x	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 (Negative outlook)	Published rating of Ba1/BB+ or lower results in a step up margin of 1.25% to be added to the interest rate payable
Debt facility	ALE DPT rating to be maintained at investment grade (i.e. at least Baa3/BBB-)	Baa2 (Negative outlook)	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	13.1%	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	13.1%	Note holders may call for notes to be redeemed
AMTN	The new issuance of new priority debt is not permitted if the resultant Net Priority Debt would exceed 20% of Net Total Assets	11.2%	Note holders may call for notes to be redeemed
AMTN	Net Finance Debt not to exceed 60% of Net Total Assets	39.7%	Stapled Security distribution lockup
AMTN	Net Finance Debt not to exceed 65% of Net Total Assets	39.7%	Note holders may call for notes to be redeemed
Debt facility	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
All covenants exclude the mark to market value of derivatives.

Net Total Assets	Total Assets less Cash less Derivative Assets less Deferred Tax Assets.
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.

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 periods ended 31 December 2020 and 30 June 2020, ALE and its subsidiaries were in compliance with all the above covenants.

3. Capital structure and financing

3.3 Equity

	December 2020 $'000	June 2020 $'000
Balance at the beginning of the period	258,118	258,118
DRP securities issued	9,858	-
Closing balance	**267,976**	258,118

Movements in the number of fully paid stapled securities during the year	**Number of Stapled Securities**	**Number of Stapled Securities**
Stapled securities on issue:		
Opening balance	195,769,080	195,769,080
DRP securities issued	2,040,563	-
Closing balance	197,809,643	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 4.43% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company and the Trust financial reports but are not disclosed in the ALE Property Group financial report as they are eliminated on consolidation.

3.4 Capital management

Capital management

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 and the level of gearing.

The total gearing ratios (total liabilities as a percentage of total assets) at 31 December 2020 and 30 June 2020 were 49.6% and 51.9% respectively.

The covenent gearing ratios (gross borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets of ALE DPT) at 31 December 2020 and 30 June 2020 were 39.7% and 41.3% respectively.

3.5 Cash and cash equivalents

	December 2020 $'000	June 2020 $'000
Cash at bank and in hand	5,541	4,575
Deposits at call	27,080	25,073
Cash reserve	9,920	9,920
	42,541	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 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 their scheduled maturity date of 20 November 2023.

An amount of $2 million is required to be held in a term deposit by the Company to meet minimum net tangible asset requirements of the AFSL licence.

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 Finance costs

	December 2020 $'000	December 2019 $'000
Finance costs - cash		
Capital Indexed Bonds (CIB)	2,644	2,625
Australian Medium Term Notes (AMTN)	3,009	8,665
Debt facility	2,702	-
Interest rate derivative payments/(receipts)	-	(354)
Other finance expenses	94	111
	8,449	11,047
Finance costs - non-cash		
Accumulating indexation - CIB	(885)	1,104
Amortisation - CIB	52	46
Amortisation - Debt facility	1,220	-
Amortisation - AMTN	97	176
	484	1,326
Finance costs (cash and non-cash)	**8,933**	12,373

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 cost 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.

4.2 Distributable income

Reconciliation of profit after tax to amounts available for distribution:

	December 2020 $'000	December 2019 $'000
Profit after income tax	**68,081**	20,498
Plus /(less)		
Fair value adjustments to investment properties	(51,590)	(8,820)
Fair value adjustments to derivatives	858	2,509
Employee share based payments expense	125	125
Finance costs - non cash	484	1,326
Income tax expense/(benefit)	(12)	(3)
Adjustments for non-cash items	(50,135)	(4,863)
Total available for distribution	17,946	15,635
Distribution paid or provided for	21,265	20,458
Over distributed	(3,319)	(4,823)
Distribution funded as follows		
Current year distributable profits	17,946	15,635
Capital and surplus cash	3,319	4,823
	21,265	**20,458**

4.3 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.

	December 2020	December 2019
Profit attributable to members of the Group ($000's)	68,081	20,498
Weighted average number of stapled securities	197,066,612	195,769,080
Basic earnings per security (cents)	34.55	10.47

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.

	December 2020	December 2019
Profit attributable to members of the Group ($000's)	68,081	20,498
Weighted average number of stapled securities	197,195,925	195,911,039
Diluted earnings per security (cents)	34.52	10.46

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 number of ordinary stapled securities outstanding.

	December 2020	December 2019
Distributable profit attributable to members of the Group ($000's)	17,946	15,635
Number of stapled securities	197,809,643	195,769,080
Distributable profit per security (cents)	9.07	7.99

Distributed profit per security

	December 2020	December 2019
Distributable income per stapled security	9.07	7.99
Distribution paid per stapled security	10.45	10.45
Under/(over) distributed for the half year	(1.38)	(2.46)

ALE is distributing more than Distributable Profit.

5. Other

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

5.1 Segment reporting

Business segment

The Trust determines and presents its operating segment based on the internal information that is provided to the Managing Director, who is the Trust's chief operating decision maker.

The Trust operates wholly within Australia and derives rental income from investments in pub properties and as such this is considered to be the only segment in which the Trust is engaged.

All of ALE Property Group's pub properties are leased to ALH, and accordingly 100% of the pub rental income is received from ALH (2019: 100%). Non pub rental income comprises less than 1% of total revenue.

5.2 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 dormant.

5.3 Events occurring after balance date

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

Directors Declaration

Half-Year Report for the period ended 31 December 2020

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:

1. the financial statements and notes set out on pages 9 to 29 are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six month period ended on that date: and

   (b) complying with Australian Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Robert Mactier
Chairman
Sydney

Guy Farrands
Managing Director
Sydney

Dated this 10th day of February 2021

Independent Auditor's Review Report

To the stapled security holders of ALE Property Group

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of ALE Property Group ("the Stapled Group").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of ALE Property Group does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2020 and of its performance for the **Half-year** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 5 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Stapled Group*** comprises Australian Leisure and Entertainment Property Trust and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of Australian Leisure and Entertainment Property Limited, the Responsible Entity of Australian Leisure and Entertainment Property Trust, are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review.

ASRE 2410 requires us to conclude whether, we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Stapled Group's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Eileen Hoggett

Partner

Sydney

10 February 2021

INVESTOR INFORMATION AND CORPORATE DIRECTORY

INVESTOR INFORMATION

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

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

Electronic Payment of Distributions
Securityholders may nominate a bank, building society or credit union account for payment of distributions by direct credit. Payments are electronically credited on the payment dates and confirmed by mailed advice.

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

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. It includes details of ALE's property portfolio, current activities and future prospects. ASX announcements are also included on the site on a regular basis. The ALE Property website, www.aleproperties.com.au, provides further detailed information on ALE's property portfolio.

CORPORATE DIRECTORY

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

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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 (ALE Direct Property Trust)
The Trust Company (Australia) Limited
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Sydney NSW 2000

Registry
Computershare Investor Services Pty Ltd
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