

# ALE Property Group

## ASX Appendix 4E – Full Year Report

### For the year ended 30 June 2015

#### Stapling Arrangement

ALE Property Group ("ALE") was established for the purpose of facilitating a joint quotation of Australian Leisure and Entertainment Property Management Limited ("Company") (ABN 45 105 275 278) and Australian Leisure and Entertainment Property Trust ("Trust") (ABN 92 648 441 429) and its controlled entities on the Australian Stock Exchange. The Company is the Responsible Entity of the Trust.

#### Detail of reporting period

Current:

1 July 2014 to 30 June 2015

#### Results for announcement to the market

	2015 \$'000	2014 \$'000	Variance
Total revenue	56,993	56,403	1.05%
Other income	78,843	40,688	193.77%
Profit before income tax attributable to stapled security holders, before net gain from fair value adjustments of investment properties and derivatives (interest rate swaps), amortisation of borrowing costs and other non cash expenses (refer to note 14 of the attached Financial Statements – "Distributable Profit")	29,055	31,232	(6.97%)
Statutory Profit/(Loss) after tax attributable to members	99,364	37,194	267.15%
	\$	\$	
Net assets per security (including derivatives)	2.27	1.93	17.62%

- Total revenue was up by 1.05% as a result of lower interest income offset by higher rental income. Rent received from properties was up 1.89%. Interest income decreased due to lower funds on deposit and lower interest rates.
- Other income increased by \$38.155 million due mainly to increases in fair value increments to properties in the current year.
- Distributable profit (adjusted for non-cash items) decreased during the year primarily as a result of finance costs being higher due to the expiration of counter hedge benefits in the prior year exceeding the interest expense savings achieved from the refinancing in June 2014; and.
- Profit/(Loss) after tax attributable to members was up \$62.170 million mainly due to the impact of higher fair value increments to properties.

The attached Financial Statements contain further explanations of the results.

Distributions	Amount per stapled security	Franked amount per stapled security
Final distribution	8.45 cents	0.0 cents
Interim distribution	8.40 cents	0.0 cents
<b>Total distribution</b>	<b>16.85 cents</b>	<b>0.0 cents</b>

The total amount per stapled security is comprised of 16.85 cents of Trust distributions and no company dividend. The final distribution of 8.45 cents will be paid to stapled securityholders on 7 September 2015.

**The full year distribution of 16.85 cents will be 100% tax deferred.**

Record date for determining entitlements to the distribution

5pm, 30 June 2015

**This report is based on accounts which have been audited.**



Annual Report 2015

# Growing Value

# ALE Property Group

Comprising Australian Leisure and Entertainment  
Property Trust and its controlled entities  
Report For the Year ended 30 June 2015

ABN 92 648 441 429

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<p style="text-align: center;"><b>Contents</b> <b>ANNUAL REPORT</b> <b>2015</b> <b>ALE Property Group (ASX: LEP)</b></p> <p>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 Limited (ALH) for a remaining initial lease term of 13.3 years plus options for ALH to extend.</p> <p style="text-align: center;"><a href="http://WWW.ALEGROUP.COM.AU">WWW.ALEGROUP.COM.AU</a></p>
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## ALE Property Group

### DIRECTORS' REPORT

For the Year ended 30 June 2015

#### DIRECTORS' REPORT

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

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

Level 10  
6 O'Connell Street  
Sydney NSW 2000

The directors of the Company present their report, together with the financial statements of ALE, for the year ended 30 June 2015.

#### 1. DIRECTORS

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

Name	Type	Appointed	Resigned
P H Warne (Chairman)	Independent non-executive	8 September 2003	
J P Henderson	Independent non-executive	19 August 2003	6 November 2014
H I Wright	Independent non-executive	8 September 2003	
P J Downes	Independent non-executive	26 November 2013	
P G Say	Independent non-executive	24 September 2014	
N J Milne	Independent non-executive	6 February 2015	
A F O Wilkinson (Managing Director)	Executive	16 November 2004	
J T McNally	Executive	26 June 2003	

#### 2. PRINCIPAL ACTIVITIES

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

#### 3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- the remaining ALE Notes 2 debt of \$102.6 million was repaid in August 2014;
- the 86 individual property values increased by an average of 9.6% to \$900.5 million; and
- Net Assets increased by 17.6% to \$443.74 million and net borrowings (total borrowings less cash) as a percentage of assets (total assets less cash and derivatives) decreased from 51.7% to 48.0%.

#### 4. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

ALE will continue to maintain its defined strategy of identifying opportunities to increase the profitability of ALE and its value to its stapled securityholders.

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

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

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**5. DISTRIBUTIONS AND DIVIDENDS**

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

	<b>30 June 2015 cents per security</b>	<b>30 June 2014 cents per security</b>	<b>30 June 2015 \$'000</b>	<b>30 June 2014 \$'000</b>
Final Trust income distribution for the year ending 30 June 2015 to be paid on 7 September 2015	<b>8.45</b>	8.25	<b>16,537</b>	16,145
Interim Trust income distribution for the year ending 30 June 2015 paid on 5 March 2015	<b>8.40</b>	8.20	<b>16,439</b>	16,048
<b>Total distribution for the year ending 30 June 2015</b>	<b>16.85</b>	16.45	<b>32,976</b>	32,193

No provisions for or payments of Company dividends have been made during the year (2014: nil).

**6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

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

**7. OPERATIONAL AND FINANCIAL REVIEW**

Background

ALE Property Group is 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 in the portfolio are leased to Australian Leisure and Hospitality Group (ALH) for an average remaining initial lease term of 13.3 years plus options for ALH to extend.

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

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

Current year performance

ALE produced a profit after tax of \$99.4 million for the year ended 30 June 2015 compared to a profit of \$37.2 million for the year ended 30 June 2014. The increase is primarily due to an increase in the fair value increment to the properties. Other factors include:

- Rental income increased by 1.9% following the annual rent review in November 2014;
- Interest income was lower on the back of decreasing interest rates and lower cash balances;
- Finance costs were higher due to the expiration of counter hedge benefits in the prior year exceeding the interest expense savings achieved from the refinancing in June 2014; and
- Management costs reduced marginally and ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

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.

ALE Property Group

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

During the financial year ALE produced a distributable profit of \$29.1 million compared to \$31.2 million in the previous financial year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was primarily impacted by the same cash items that affected Operating Profit, namely increased rent and finance costs.

	<b>30 June 2015 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Profit/(loss) after income tax for the year</b>	<b>99,364</b>	37,194
<b>Adjustment for non-cash items</b>		
Fair value decrements /(increments) to derivatives and investment properties	(73,543)	(18,977)
Loss/(Gain) on disposal of investment properties	-	42
Employee share based payments	190	272
Finance costs - non-cash	3,087	7,701
Income tax expense	(43)	5,000
<b>Total adjustments for non-cash items</b>	<b>(70,309)</b>	(5,962)
<b>Total profit available for distribution</b>	<b>29,055</b>	31,232
Distribution paid or provided for	32,976	32,193
<b>Available and under/(over) distributed for the year</b>	<b>(3,921)</b>	(961)
<b>Reconciliation of accumulated undistributed income</b>		
Opening balance	10,444	11,405
Available and undistributed/(over distributed) for the year	(3,921)	(961)
<b>Closing balance</b>	<b>6,523</b>	<b>10,444</b>

	<b>Percentage Increase / (Decrease)</b>	<b>30 June 2015 Cents</b>	<b>30 June 2014 Cents</b>
<b>Earnings and distribution per stapled security:</b>			
Basic and diluted earnings	166.79%	50.77	19.03
Earnings available for distribution	(6.95%)	14.85	15.96
Total distribution	2.43%	16.85	16.45
Accumulated undistributed income at the end of the year		3.33	5.34

Financial position

ALE's net assets increased by 17.6%, compared with the previous year which was largely attributable to an increase in property values during the year.

Investment property revaluations increased the continuing portfolio value by 9.60% from \$821.7 million to \$900.5 million during the year. The average capitalisation rates decreased from 6.42% to 5.99% with the increase in property valuations coming from the November 2014 CPI rent increase and lower average capitalisation rates across the portfolio.

Net assets per stapled security increased by 17.6% from \$1.93 to \$2.27 compared to June 2014, primarily as a result of the increase in property values.

ALE's market capitalisation increased by around 25% to more than \$722 million during the year.

## DIRECTORS' REPORT

For the Year ended 30 June 2015

ALE's funding structure continues to be characterised by diverse sources of funding instruments with maturity dates averaging 5.5 years. In June 2014 ALE successfully raised \$335 million in debt through an Australian Medium Term Note (AMTN) issue. The debt was issued with an investment grade rating of Baa2 and at the time was the largest AMTN issue by an AREIT since 2011. The issue was significantly over subscribed and scaled to deliver a very competitive issue margin outcome for the benefit of ALE's securityholders.

The ALE Notes 2 were repaid in full in August 2014. The balance of the \$102.6 million was repaid from existing cash reserves. ALE's next scheduled maturity date is August 2017.

During the year, net covenant gearing reduced from 51.7% to 48.0%. ALE continues to maintain appropriate headroom to all debt covenants with the nearest equivalent to an average 20.1% fall in property values.

ALE has consistently sought to protect investors from interest rate risk and continues to have long term hedging in place to achieve this objective.

The fixed rate AMTN debt raised in June 2014 saw ALE enter into fixed rate debt with August 2017 and August 2020 maturities and accordingly the previously arranged interest rate hedge for the next three and six years was terminated. The debt raising and forward start hedging arrangements ensures that ALE remains hedged for its base interest rates on 100% of its net debt for an average of 7.8 years.

### Business strategies and prospects

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

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

ALE continues to hold a positive outlook for the market rent prospects for the portfolio. In around three years time the first major review will occur with the fair market rent capped and collared within 10% of the 2017 rent for each property. There is also a full open fair market rent review (no caps or collars) in November 2028.

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

## **8. INFORMATION ON DIRECTORS**

### **Mr Peter Warne B.A, FAICD, Chairman and Non-executive Director.**

#### ***Experience and expertise***

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

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited (BTAL) in 1981. Peter held senior positions in the Fixed Income Department, the Capital Markets Division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business of BTAL was acquired by Macquarie Bank Limited in 1999. Peter is Chairman of OzForex Group Limited and a board member of ASX Limited and Macquarie Group Limited. He is also on the board of NSW Treasury Corporation and is a member of the Advisory Board for the Australian Office of Financial Management.

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

## **DIRECTORS' REPORT**

For the Year ended 30 June 2015

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

#### ***Experience and expertise***

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

Helen is the Chair of the Advisory Committee of Screen NSW (formerly Film & Television Office), and for ten years until recently was the Statutory and Other Offices Remuneration Tribunal for NSW and the Local Government Remuneration Tribunal for NSW. Prior appointments include the Boards of several State, commercial, university and charitable entities. Helen has a Bachelor of Laws from the University of NSW and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business Administration.

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

#### ***Experience and expertise***

Pippa was appointed a Director on 26 November 2013.

Ms Downes is a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. She is also on the panel of the ASX Appeals Tribunal. Pippa is also a director of the Pinnacle Foundation. Ms Downes was a Managing Director and Equity Partner of Goldman Sachs in Australia until October 2011, working in the Proprietary Investment division. Ms Downes has had a successful international banking and finance career spanning over 20 years where she has led the local derivative and trading arms of several of the world's leading Investment Banks. She has extensive experience in Capital Markets, derivatives and asset management.

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

Pippa was previously an appointed Director on the Board of Swimming Australia and the Swimming Australia Foundation. Pippa graduated from the University of California at Berkeley with a Bachelor of Science in Business Administration majoring in Finance and Accounting. Pippa also completed a Masters of Applied Finance from Macquarie University in 1998.

### **Mr Paul Say, BSc(Bus Ad), MAppFin, GAICD, Non-executive Director.**

#### ***Experience and expertise***

Paul has over 30 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Mr Say was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance.

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

### **Ms Nancy Milne, OAM, LLB, FAICD, Non-executive Director.**

#### ***Experience and expertise***

Nancy is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, Greenstone Limited and Novion Property Group.

Nancy has a Bachelor of Laws from the University of Sydney. She is a member of the NSW Council of the Australian Institute of Company Directors and the Institute's Law Committee.



**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**Mr Andrew Wilkinson B.Bus, CFTP, MAICD, Managing Director.**

***Experience and expertise***

Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003. Andrew has around 35 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

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

***Experience and expertise***

James was appointed as an executive and founding director of the company in June 2003. James has over 20 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry. James' qualifications include a Bachelor of Business in land economy and a Diploma of Law. James is also a registered valuer and licensed real estate agent.

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

***Experience and expertise***

Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006. Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia.

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

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

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

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

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

***Experience and expertise***

David was appointed to ALE's ACRMC on 9 December 2005 and has over 25 years' experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia. David is, the Chairman of the Australian Trade Commission Audit and Risk Committee, and the National Mental Health Commission Audit Committee, and is an audit committee member of the Australian Office of Financial Management, the Department of Foreign Affairs and Trade, the Australian Sports Anti-Doping Authority, and the Australian Maritime Safety Authority. David is Chairman of Australian Settlements Limited. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and a past President of the Institute of Internal Auditors – Australia.

**Directorships of listed entities within the last three years**

The following director held directorships of other listed entities within the last three years and from the date appointed up to the date of this report unless otherwise stated:

<b>Director</b>	<b>Directorships of listed entities</b>	<b>Type</b>	<b>Appointed</b>	<b>Resigned</b>
P H Warne	ASX Limited	Non-executive	July 2006	
P H Warne	Crowe Horwath Australasia Limited	Non-executive	May 2007	Jan 2015
P H Warne	OzForex Group Limited	Chairman	October 2013	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**Special responsibilities of directors**

The following are the special responsibilities of each director:

<b>Director</b>	<b>Special responsibilities</b>
P H Warne	Chairman of the Board Member of the Audit, Compliance and Risk Management Committee (ACRMC) Chair of the Nominations Committee Chair of the Remuneration Committee
H I Wright	Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
P J Downes	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
P G Say	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
N J Milne	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)
J T McNally	Responsible Manager of the Company under the Company's AFSL

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

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

<b>Name</b>	<b>Role</b>	<b>Number held at the start of the year</b>	<b>Net Movement</b>	<b>Number held at the end of the year</b>
P H Warne	Non-executive Director	1,185,000	-	1,185,000
H I Wright	Non-executive Director	150,000	-	150,000
P J Downes	Non-executive Director	213,394	510	213,904
P G Say	Non-executive Director	-	-	-
N J Milne	Non-executive Director	-	20,000	20,000
A F O Wilkinson	Executive Director	213,668	31,055	244,723
J T McNally	Executive Director	55,164	-	55,164
A J Slade	Capital Manager	31,418	18,582	50,000
M J Clarke	Finance Manager	11,727	3,273	15,000
D J Shipway	Asset Manager	4,000	-	4,000

ALE Property Group

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed / Delivered during the year	Number held at the end of the year
<b>Performance Rights</b>					
A J Slade	Capital Manager	8,272	-	(8,272)	-
<b>ESSS Rights</b>					
A F O Wilkinson	Executive Director	78,014	63,732	-	141,746
A J Slade	Capital Manager	77,274	31,375	(34,571)	74,078
M J Clarke	Finance Manager	8,825	7,844	-	16,669
D J Shipway	Asset Manager	8,825	3,922	-	12,747

**Meetings of directors**

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2015 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board		ACRMC		Nominations and Remuneration Committee	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
P H Warne	11	11	8	8	5	5
J P Henderson	4	3	3	2	-	-
H I Wright	11	9	8	7	5	5
P J Downes	11	11	8	8	5	5
P G Say	8	8	6	6	5	5
N J Milne	4	4	1	1	3	3
A F O Wilkinson	11	11	n/a	n/a	n/a	n/a
J T McNally	11	11	n/a	n/a	n/a	n/a

**Member of Audit, Compliance and Risk Management Committee**

D J Lawler	n/a	n/a	8	8	n/a	n/a
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<sup>1</sup> "Held" reflects the number of meetings which the director or member was eligible to attend.

## **DIRECTORS' REPORT**

For the Year ended 30 June 2015

### **9 Remuneration Report (Audited)**

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2015 for employees of ALE including the directors, the Managing Director and key management personnel.

#### **9.1 Remuneration Objectives and Approach**

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

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

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

- alignment with ALE's financial, operational, compliance and risk management objectives so as to achieve alignment with positive outcomes for stapled securityholders;
- alignment with ALE's overall performance;
- transparent, reasonable and acceptable to employees and securityholders;
- rewards the responsibility, capability, experience and contribution made by executives;
- recognises individual executive's contributions towards value accretive outcomes when measured against Key Performance Indicators (KPI's); and
- market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable remuneration. Since the year ending 30 June 2012 the variable remuneration has been provided through the Executive Incentive Scheme (EIS). Any award under the EIS is paid 50% in cash at the year end and 50% in stapled securities with delivery deferred three years.

#### **9.2 Remuneration and Nominations Committee**

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

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

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

The Committee operates independently of management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2015, the Committee consisted of the following:

P H Warne (Chairman)	Non-executive Director
H I Wright	Non-executive Director
P J Downes	Non-executive Director
P G Say	Non-executive Director
N J Milne	Non-executive Director

Refer page 5 of this report for information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 9.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Herbert Smith Freehills to draft updated executive service agreements.

Herbert Smith Freehills was paid \$4,864 for drafting of executive service agreements.

## DIRECTORS' REPORT

For the Year ended 30 June 2015

### 9.3 Executive Remuneration

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

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

#### 9.3.1 Fixed Annual Remuneration (FAR)

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

**How is FAR set?** FAR is set by reference to external market data for comparable roles and responsibilities within similar listed and unlisted entities within Australia.

**When is FAR Reviewed?** FAR is reviewed in December each year with any changes being effective from 1 January of the following year.

#### 9.3.2 Executive Incentive Scheme (EIS)

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

EIS is used to reward executives for achieving and exceeding annual individual KPIs.

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

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

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

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

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

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

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

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

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

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

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

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

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

**9.3.3 Summary of Key Contract Terms**

**Contract Details**

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Brendan Howell
Position	Managing Director	Capital Manager	Finance Manager and Assistant Company Secretary	Asset Manager	Executive Director	Company Secretary and Compliance Officer
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$435,625	\$246,000	\$200,900	\$191,214	\$100,000	\$90,000
Notice by ALE	6 months	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

**Managing Director**

On 30 July 2014 Mr Wilkinson signed a new service agreement that commenced on 1 September 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, as being \$425,000, to be reviewed annually each 31 December by the Board. An EIS, if earned, would be paid 50% as a cash bonus in August each year and 50% in stapled securities issued under the ESSS and delivered three years following each of the annual grant dates.

In the event of the termination of Andrew Wilkinson's service agreement and depending on the reason for the termination, amounts may be payable for unpaid accrued entitlements and a proportion of EIS entitlements as at the date of termination. If employment is terminated in circumstances of redundancy or without cause then he is entitled to an amount of fixed remuneration for six months. In addition he may receive a pro-rata EIS award for the period of employment in the year of redundancy.

**ALE Property Group**  
**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**9.4 Executive Remuneration outcome for year ended 30 June 2015**

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 17.

**Executive Incentive Scheme Outcomes**

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

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2015.

It was the view of the Committee that most of the standard key performance indicators (KPIs) and most of the major items in the Board approved corporate strategy had been met. In particular the Committee noted:

**Capital Matters**

- ALE enjoyed the positive and material full year impacts of the refinancing and hedge restructure completed just before the commencement of the year, most notably the resulting annual interest expense saving of around \$7 million;
- ALE fully redeemed all outstanding ALE Notes 2 debt in September 2014 and thereby eliminated a debt expense at a comparatively high total cost of 7.83% including a 4.00% credit margin;
- ALE's investment grade credit rating of Baa2 (with stable outlook) was fully maintained;
- Management continued to explore a range of debt funding solutions in both the domestic and offshore capital markets with a view to positioning ALE for future debt refinancings and readiness to implement additional debt funding of any acquisitions; and
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation.

**Other matters**

- Agreed and completed a rent restructure with ALH that is expected to deliver a lower risk profile for the capped and collared market rent reviews in 2018. The restructure delivers a value benefit for ALE's securityholders;
- Worked constructively with ALH to agree a range of developments that are value enhancing for ALE for a number of properties;
- Undertook a comprehensive statutory valuation scoping exercise to ensure that the independent valuer was fully appraised of the key value drivers of each of the properties;
- Completed a comprehensive review of ALE's service providers with a view to ensuring cost savings were maximised and service levels enhanced;
- Explored a range of acquisition opportunities that accorded with ALE's strategic criteria;
- Worked closely with key equity analysts and investors to ensure that there was a clear understanding of both the quality and value prospects for ALE's properties and the simplified, low cost and long term capital structure;
- Worked on a number of strategic initiatives that were agreed at the beginning of the year and were either partially or fully completed by the end of the year; and
- Continued to deliver both short and long term total returns for securityholders that outperformed most if not all other AREITs in the sector.

The remuneration committee considered these achievements and compared them to key performance indicators for each executive that were set at the beginning of the financial year. Individual executives contributed to the valuable outcomes outlined above and this was recognised in the EIS payments made. All the EIS payments are included in the staff remuneration expenses in the current year.

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

Executive	Target EIS (as % of FAR)	EIS		EIS Awarded	Cash Component	ESSS Component
		Awarded (as % of FAR)	EIS Awarded as a % of Target			
Andrew Wilkinson	60%	48.2%	80.3%	\$210,000	\$105,000	\$105,000
Andrew Slade	50%	40.7%	81.3%	\$100,000	\$50,000	\$50,000
Michael Clarke	n/a	19.9%	-	\$40,000	\$20,000	\$20,000
Don Shipway	n/a	15.7%	-	\$30,000	\$15,000	\$15,000

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**ALE's Financial Performance History**

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

	FY11	FY12	FY13	FY14	FY15
Distributable profit (\$m)	31.3	26.7	31.7	31.2	29.1
Distribution per Security	19.75	16.00	16.00	16.45	16.85
Continuing property values (\$m) <sup>2</sup>	753.9	767.2	781.5	821.6	900.5
Net gearing <sup>1</sup>	51.7%	51.9%	50.8%	51.7%	47.9%

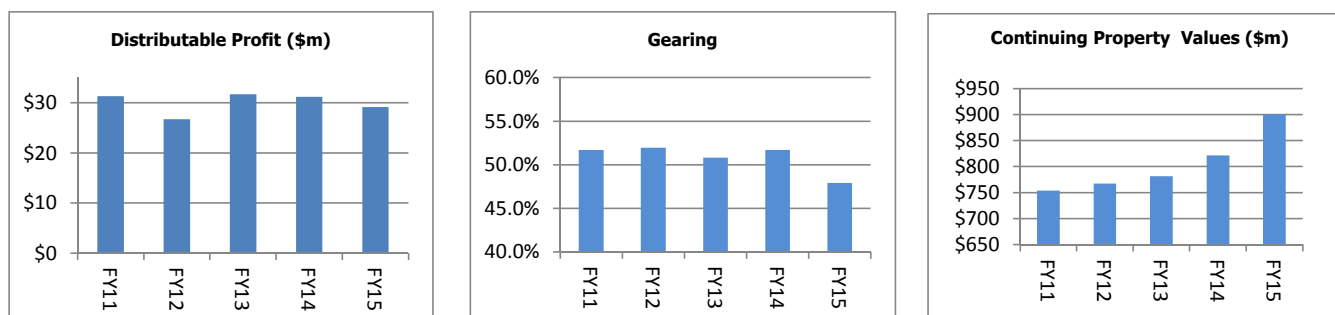
1. Total borrowings less cash as a percentage of total assets less cash and derivatives

2. Includes only the value of properties held as at 30 June 2015

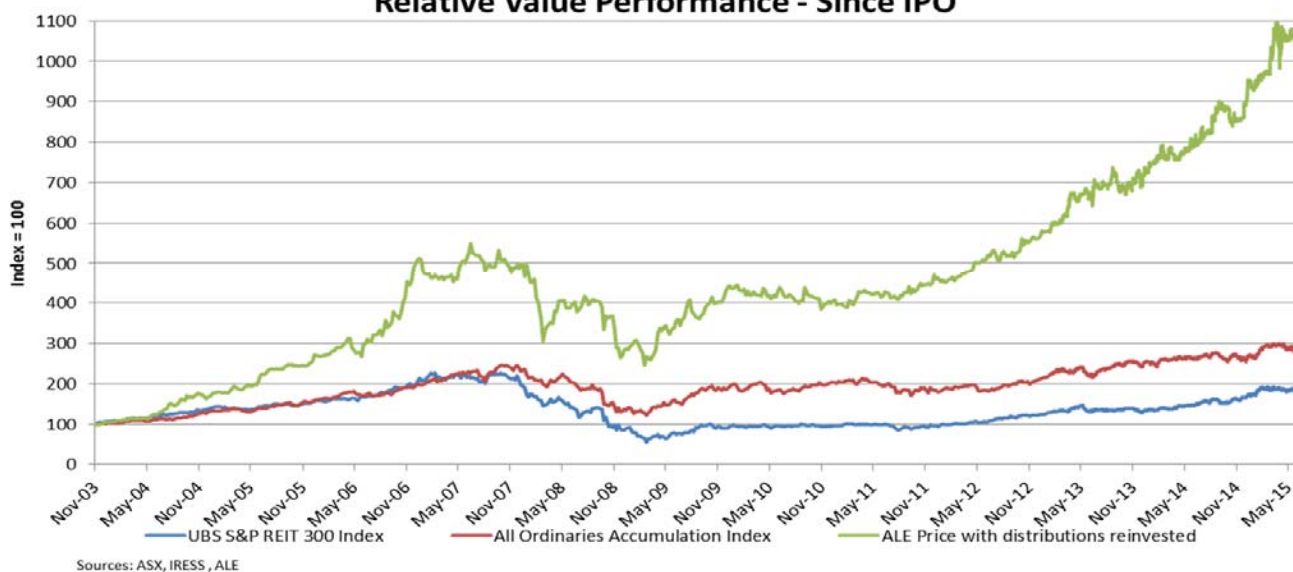
The accumulated value of \$1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and current market value of securities as at 30 June 2015 totalled \$10.58.

According to UBS for the period ending 30 June 2015 ALE continued to outperform other equity return benchmarks including the AREIT 300 index and the All Ordinaries index for periods including three, five and ten years. For the one year period ALE's return of 33.4% outperformed the AREIT 300 index of 20.2% and All Ordinaries index of 5.7%.

Growth in the value of the continuing properties between ALE's 2003 IPO and 30 June 2014 has averaged 4.75% p.a. This has exceeded growth in CPI at 2.91% p.a



**Relative Value Performance - Since IPO**



**Accumulated Value for: AREITs \$1.80, All Ords \$2.77, ALE \$10.58<sup>1</sup>**

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



**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**9.5 Disclosures relating to equity instruments granted as compensation**

**9.5.1 Outstanding equity instruments granted as compensation**

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at		% vested in year	% forfeited in year
				Grant Date	Approximate Delivery Date		
<b>ESSS Rights</b>							
A F O Wilkinson	43,136	23 Aug 12	1 Jul 11	1.65	31 Jul 15	Nil	Nil
A F O Wilkinson	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A F O Wilkinson	63,732	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A J Slade	23,611	23 Aug 12	1 Jul 11	1.65	31 Jul 15	Nil	Nil
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A J Slade	31,375	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
M J Clarke	7,844	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
D J Shipway	3,922	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil

**9.5.2 Modification of terms of equity settled share based payment transactions**

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

**9.5.3 Analysis of movements in performance rights**

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

Executive	Granted in	Vested in	Lapsed in	Securities	Securities
	year \$ (a)	year \$ (b)	year \$ (c)	Delivered in the year \$	Delivered in the year (Number)
A J Slade	-	-	-	25,100	8,272

(a) The value of performance rights granted during the year is the assessed fair value at grant date of performance rights granted, allocated equally over the period from grant date to vesting date. The fair value at grant date has been independently determined by using a Black-Scholes option pricing model.

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

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

**9.5.4 Analysis of movements in ESSS rights**

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

Executive	Opening Balance	Granted in Year	Stapled Securities		Closing Balance	Securities Delivered in the year - value paid \$
			Delivered in the Year	Lapsed in the Year		
<b>By Value (\$)</b>						
A F O Wilkinson	150,290	162,500	-	-	312,790	-
A J Slade	132,264	80,000	(50,000)	-	162,264	104,899
M J Clarke	20,000	20,000	-	-	40,000	-
D J Shipway	20,000	10,000	-	-	30,000	-
<b>By Number</b>						
A F O Wilkinson	78,014	63,732	-	-	141,746	-
A J Slade	77,274	31,375	(34,571)	-	74,078	-
M J Clarke	8,825	7,844	-	-	16,669	-
D J Shipway	8,825	3,922	-	-	12,747	-

**DIRECTORS' REPORT**

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**9.6 Equity based compensation**

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

The value of ESSS disclosed in section 9.5.4 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined on 13 August 2015.

**9.7 Non-executive Directors' Remuneration**

**9.7.1 Remuneration Policy and Strategy**

Non-executive directors' individual fees are determined by the Company Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 6 November 2014 was \$650,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed by Godfrey Remuneration Group Pty Limited in the current financial year. The result of this review was that no changes to fees and payments were made. The Chairman's fees are determined independently from the fees of the other non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive any equity based payments, retirement benefits or other incentive payments.

**9.7.2 Remuneration Structure**

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

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

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

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

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

ALE Property Group

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**9.8 Details of remuneration**

**Amount of remuneration**

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses were dependent on the satisfaction of performance conditions as set out in the section 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2015 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

**Table 1 Remuneration details 1 July 2014 to 30 June 2015**

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2015 are set out in the following table:

Key management personnel		Short term			Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits	Other long term benefits	Termination benefits	ESSS			Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
P H Warne	Non-executive Director	159,817	-	-	159,817	15,183	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	33,333	-	-	33,333	-	-	-	-	33,333	-	-
H I Wright	Non-executive Director	95,890	-	-	95,890	9,110	-	-	-	105,000	-	-
P J Downes	Non-executive Director	91,324	-	-	91,324	8,676	-	-	-	100,000	-	-
P G Say	Non-executive Director	75,000	-	-	75,000	-	-	-	-	75,000	-	-
N J Milne	Non-executive Director	36,530	-	-	36,530	3,470	-	-	-	40,000	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	399,993	105,000	-	504,993	30,761	6,213	-	105,000	646,967	32.5%	16.2%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	213,267	50,000	-	263,267	29,983	4,370	-	50,000	347,620	28.8%	14.4%
M J Clarke	Finance Manager	182,062	20,000	-	202,062	16,592	2,695	-	20,000	241,349	16.6%	8.3%
D J Shipway	Asset Manager	172,672	15,000	-	187,672	16,404	2,687	-	15,000	221,763	13.5%	6.8%
		1,649,888	190,000	-	1,839,888	130,179	15,965	-	190,000	2,176,032		

**Table 2 Remuneration details 1 July 2013 to 30 June 2014**

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

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

**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**10 Stapled securities under option**

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

**11 Stapled securities issued on the exercise of options**

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

**12 Insurance of officers**

During the financial year, the Company paid a premium of \$54,544 (2014: \$61,276) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

**13 Non-audit services**

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

The Board of Directors has considered the position and in accordance with the advice received from the ACRMC is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. During the current and previous financial years, no non-audit services were performed by the auditors.

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
	\$	\$
<b>Audit services</b>		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
- in relation to current year	160,000	180,500
- in relation to prior year	5,000	8,500
<b>Total remuneration for audit services</b>	<b>165,000</b>	<b>189,000</b>

**14 Environmental regulation**

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

**15 Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.


**DIRECTORS' REPORT**

For the Year ended 30 June 2015

**16 Rounding of amounts**

ALE is an entity of the kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, unless otherwise indicated.

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



Peter H Warne  
Director  
Sydney

Dated this 5<sup>th</sup> day of August 2015



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

KPMG

John Teer  
*Partner*

Sydney

5 August 2015

ALE Property Group

**STATEMENT OF COMPREHENSIVE INCOME**

For the Year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Revenue</b>			
Rent from investment properties	6	55,214	54,187
Interest from cash deposits	7	1,779	2,216
<b>Total revenue</b>		<b>56,993</b>	56,403
<b>Other income</b>			
Fair value increments to investment properties	17	78,790	40,180
Profit / (Loss) on disposal of investment property		-	(42)
Other income		53	550
<b>Total other income</b>		<b>78,843</b>	40,688
<b>Total revenue and other income</b>		<b>135,836</b>	97,091
<b>Expenses</b>			
Fair value decrements to derivatives - net	8	5,247	21,203
Finance costs (cash and non-cash)	10	24,507	26,737
Queensland land tax expense		2,093	2,122
Other expenses	9	4,668	4,835
<b>Total expenses</b>		<b>36,515</b>	54,897
<b>Profit/(Loss) before income tax</b>		<b>99,321</b>	42,194
Income tax expense/(benefit)	12	(43)	5,000
<b>Profit/(Loss) after income tax</b>		<b>99,364</b>	37,194
<b>Profit/(Loss) attributable to stapled securityholders of ALE</b>		<b>99,364</b>	37,194
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year after income tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b>99,364</b>	37,194
<b>Profit/(Loss) attributable to:</b>			
Members of ALE		99,364	37,194
Non-controlling interest		-	-
<b>Profit/(Loss) for the year</b>		<b>99,364</b>	37,194
<b>Total comprehensive income attributable to:</b>			
Members of ALE		99,364	37,194
Non-controlling interest		-	-
<b>Total comprehensive income for the year</b>		<b>99,364</b>	37,194
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per stapled security	14(a)	50.77	19.03

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

ALE Property Group

**STATEMENT OF FINANCIAL POSITION**

For the Year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	15	44,812	149,963
Receivables	16	315	2,147
Other		250	249
<b>Total current assets</b>		<b>45,377</b>	152,359
<b>Non-current assets</b>			
Investment properties	17	900,470	821,680
Derivatives	11	-	4,108
Plant and equipment		18	31
Deferred tax asset	13	315	339
<b>Total non-current assets</b>		<b>900,803</b>	826,158
<b>Total assets</b>		<b>946,180</b>	978,517
<b>Current liabilities</b>			
Payables	18	7,706	8,523
Borrowings	20	-	102,383
Provisions	19	16,682	16,271
<b>Total current liabilities</b>		<b>24,388</b>	127,177
<b>Non-current liabilities</b>			
Borrowings	20	476,915	474,051
Derivatives	11	1,140	-
<b>Total non-current liabilities</b>		<b>478,055</b>	474,051
<b>Total liabilities</b>		<b>502,443</b>	601,228
<b>Net assets</b>		<b>443,737</b>	377,289
<b>Equity</b>			
Contributed equity	21	257,870	257,870
Reserve	23	735	604
Retained profits	22	185,132	118,815
<b>Total equity</b>		<b>443,737</b>	377,289
<b>Net assets per stapled security</b>		<b>\$ \$2.27</b>	\$ \$1.93

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



ALE Property Group

**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended 30 June 2015

	Note	Share Capital \$'000	Share based payments reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>2015</b>					
<b>Total equity at the beginning of the year</b>		<b>257,870</b>	<b>604</b>	<b>118,815</b>	<b>377,289</b>
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	99,364	99,364
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	99,364	99,364
<i>Transactions with Members of ALE recognised directly in Equity:</i>					
Employee share based payments	23	-	190	-	190
Employee share based payments - securities purchased	22/23	-	(59)	(71)	(130)
Distribution paid or payable	14	-	-	(32,976)	(32,976)
<b>Total equity at the end of the year</b>		<b>257,870</b>	<b>735</b>	<b>185,132</b>	<b>443,737</b>
<b>2014</b>					
<b>Total equity at the beginning of the year</b>		<b>254,080</b>	<b>382</b>	<b>113,895</b>	<b>368,357</b>
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	37,194	37,194
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	37,194	37,194
<i>Transactions with Members of ALE recognised directly in Equity:</i>					
Employee share based payments	23	-	272	-	272
Employee share based payments - securities purchased	22/23	-	(50)	(81)	(131)
Securities issued - Distribution Reinvestment Plan	21	3,939	-	-	3,939
Costs associated with on market purchase of Securities for Distribution Reinvestment Plan	21	(149)	-	-	(149)
Distribution paid or payable	14	-	-	(32,193)	(32,193)
Total equity at the end of the year		<b>257,870</b>	<b>604</b>	<b>118,815</b>	<b>377,289</b>

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

ALE Property Group

**STATEMENT OF CASH FLOWS**

For the Year Ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from tenant and others		60,820	60,232
Payments to suppliers and employees		(11,778)	(12,586)
Interest received - bank deposits		1,946	2,075
Net interest received - interest rate hedges		587	7,413
Borrowing costs paid		(22,735)	(27,235)
<b>Net cash inflow from operating activities</b>	15	<b>28,840</b>	<b>29,899</b>
<b>Cash flows from investing activities</b>			
Net proceeds from disposal of properties		1,200	4,458
Payments for plant and equipment		-	(6)
<b>Net cash inflow from investing activities</b>		<b>1,200</b>	<b>4,452</b>
<b>Cash flows from financing activities</b>			
Capitalised borrowing costs paid		(10)	(1,522)
Derivative termination payments		-	(27,053)
Proceeds from borrowings		-	339,736
Costs of on-market acquisition of securities for DRP		-	(149)
Borrowings repaid			
CMBS		-	(160,000)
ALE Notes 2		(102,597)	(62,404)
Distributions paid (net of DRP securities issued)		(32,584)	(27,648)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(135,191)</b>	<b>60,960</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(105,151)</b>	<b>95,311</b>
Cash and cash equivalents at the beginning of the year		149,963	54,652
<b>Cash and cash equivalents at the end of the year</b>	15	<b>44,812</b>	<b>149,963</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

### **Note 1 Reporting Entity**

ALE is domiciled in Australia. ALE, the stapled entity, was formed by stapling together the units in the Trust and the shares in the Company. For the purposes of financial reporting, the stapled entity reflects the consolidated entity. The parent entity and deemed acquirer in this arrangement is the Trust. The results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2014 to 30 June 2015.

The stapled securities of ALE are quoted on the Australian Stock Exchange under the code LEP and comprise one unit in the Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and cannot be traded separately. Each entity forming part of ALE is a separate legal entity in its own right under the *Corporations Act 2001* and Australian Accounting Standards. The ALE Property Group is a for-profit entity.

The Company is the Responsible Entity of the Trust.

### **Note 2 Basis of preparation**

#### *(a) Compliance Statement*

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements also comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

#### *(b) Basis of measurement*

The financial statements are prepared on the historical cost basis except for the following which are measured at fair value:

- derivative financial instruments
- investment property

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

The consolidated financial statements were authorised for issue by the Board of Directors on 4<sup>th</sup> August 2015.

#### *(c) Functional and presentation currency*

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

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

#### *(d) Use of estimates and judgements*

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

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

- Note 17 - Investment property
- Note 24 - Measurement of share based payments
- Note 33 - Valuation of financial instruments

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

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### **Note 3 Summary of significant accounting policies**

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

#### **(a) Principles of consolidation**

The financial statements incorporate the assets and liabilities of all subsidiaries as at balance date and the results for the period then ended. The Trust and its controlled entities together are referred to collectively in this financial report as ALE. Entities are fully consolidated from the date on which control is transferred to the Trust; where applicable, entities are deconsolidated from the date that control ceases.

Subsidiaries are all those entities (including special purpose entities) over which ALE has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether ALE controls another entity.

All balances and effects of transactions between the subsidiaries of ALE have been eliminated in full.

#### **(b) Investment property**

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

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

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

Land and buildings that comprise investment property are not depreciated.

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

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

#### **(c) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash at bank, deposits at call and short term money market securities which are readily convertible to cash.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

### **Note 3 Summary of significant accounting policies (continued)**

#### **(d) Receivables**

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that all amounts due may not be collected according to the original terms of the receivables. The amount of any provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

#### **(e) Investments and financial assets**

Financial assets classified as loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise when money and services are provided to a debtor with no intention of selling the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial asset are spread over its effective life.

#### **(f) Trade and other payables**

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

#### **(g) Borrowings**

Interest bearing liabilities are initially recognised at cost, being the fair value of the consideration received, net of issue and other transaction costs associated with the borrowings.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial liability are spread over the expected life of the borrowings on an effective interest rate basis.

Interest bearing liabilities are classified as current liabilities unless an unconditional right exists to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **(h) Derivatives**

ALE documents, at the inception of any hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. ALE also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 11.

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

#### **(i) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### **(j) Distributions and dividends**

Provisions are made for the amounts of any distributions or dividends declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the balance date.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

### **Note 3 Summary of significant accounting policies (continued)**

#### **(k) Contributed equity**

Ordinary units and ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new units, shares or options are shown in Contributed Equity as a deduction, net of tax, from the proceeds.

Distributions to stapled securityholders that include a return of capital are shown in Equity as a transfer from (or reduction of) Contributed Equity.

#### **(l) Revenue recognition**

Rental income from operating leases is recognised on a straight line basis over the lease term. Rentals that are based on a future amount that changes with other than the passage of time, including CPI linked rental increases, are only recognised when contractually due. An asset will be recognised to represent the portion of an operating lease revenue in a reporting period relating to fixed increases in operating lease revenue in future periods. These assets will be recognised as a component of investment properties.

Interest and investment income is brought to account on a time proportion basis using the effective interest rate method and if not received at balance date is reflected in the Statement of Financial Position as a receivable.

#### **(m) Expenses**

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

#### **(n) Employee benefits**

##### *(i) Wages and salaries, annual leave and sick leave*

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

##### *(ii) Share based payments*

##### Executive Stapled Security Scheme (ESSS)

The grant date fair value of ESSS Rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the ESSS rights. The amount recognised as an expense is adjusted to reflect the actual number of ESSS Rights that vest.

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

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

##### *(iii) Bonus and incentive plans*

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 3 Summary of significant accounting policies (continued)**

*(iv) Long service leave*

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

*(v) Retirement benefit obligations*

ALE pays fixed contributions to employee nominated superannuation funds and ALE's legal or constructive obligations are limited to these contributions. The contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(o) Income tax**

*(i) Trusts*

Under current legislation, Trusts are not liable for income tax, provided that their taxable income and taxable realised gains are fully distributed to securityholders each financial year.

*(ii) Companies*

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in Equity.

**(p) Earnings per stapled security**

*(i) Basic earnings per stapled security*

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

*(ii) Diluted earnings per stapled security*

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

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### **Note 3 Summary of significant accounting policies (continued)**

#### **(q) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

#### **(r) Financial risk management**

ALE's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. ALE's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of ALE. ALE uses derivative financial instruments such as interest rate hedges to reduce certain risk exposures (Notes 5 and 33 provide further information).

#### **(s) New accounting standards and interpretation not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statement resulting from the application of IFRS 9.

#### **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, AIS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.



## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

### **Note 4 Determination of fair values**

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

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices);
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Note 17 Investment property  
Note 33 Financial instruments

### **Note 5 Financial risk management**

#### ***Overview***

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

#### ***Credit risk***

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

#### **Trade and other receivables**

ALE's exposure to credit risk is influenced mainly by the individual characteristics of its tenant. ALE has one tenant (Australian Leisure and Hospitality Group Limited) and therefore there is significant concentration of credit risk with that company. Credit risk of the tenant is constantly monitored to ensure the tenant has appropriate financial standing. There are also cross default provisions in the leases and the properties are essential to the tenant's business operations and those of the tenant's shareholders.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

### **Note 5 Financial risk management (continued)**

#### ***Liquidity risk***

Liquidity risk is the risk that ALE will not be able to meet its financial obligations as they fall due. ALE's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ALE's reputation. ALE manages its liquidity risk by using detailed forward cash flow planning and by maintaining strong relationships with banks and investors in the capital markets.

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

#### ***Market risk***

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

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

#### **Interest rate risk**

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

#### **Property valuation risk**

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

#### **Capital management**

ALE monitors securityholder equity and manages it to address risks and add value where appropriate.

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

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

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

Gearing ratios are monitored in the context of any increase or decrease from time to time based on existing property value movements, acquisitions completed, the levels of debt financing used and a range of prudent financial metrics, both at the time and on a projected basis going forward.

The outcomes of the ALE strategic planning process plays an important role in determining acquisition and financing priorities over time.

The total gearing ratios (total liabilities as a percentage of total assets) at 30 June 2015 and 30 June 2014 were 53.1% and 61.5% respectively.

The net gearing ratios (total borrowings less cash as a percentage of total assets less cash and derivatives) at 30 June 2015 and 30 June 2014 were 48.0% and 51.7% respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 6 Rent from investment properties</b>		
Rent from continuing properties	55,214	54,187
	<b>55,214</b>	54,187
<p>During the current and previous financial years, ALE's investment property lease rentals were reviewed to state based CPI annually and are not subject to fixed increases, apart from the lease for the Pritchard's Hotel, NSW which has fixed increases of 3%.</p>		
<b>Note 7 Interest income</b>		
Operating bank and term deposit interest	<b>1,779</b>	2,216
<p>As at 30 June 2015 the weighted average interest rate earned on cash was 2.75% (2014: 3.39%)</p>		
<b>Note 8 Current year fair value adjustments to derivatives</b>		
Fair value increments/(decrements) to interest rate hedge derivatives	(5,247)	(21,203)
	<b>(5,247)</b>	(21,203)
<p>During the current year a portion of the derivative value movement was realised upon termination of hedges.</p>		
<b>Note 9 Other expenses</b>		
Annual reports	96	114
Audit, accounting, tax and professional fees	193	213
Depreciation expense	13	17
Insurance	178	177
Legal fees	165	208
Occupancy costs	124	120
Corporate and other expenses	552	797
Property revaluations, and condition and compliance audits	396	276
Registry fees	126	147
Salaries, fees and related costs	2,538	2,521
Staff training	23	20
Travel and accommodation	114	82
Trustee and custodian fees	150	143
	<b>4,668</b>	4,835
Total other expenses	4,668	4,835
Less: Share based payments expense	(190)	(272)
Total cash other expenses	4,478	4,563

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

		<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 10 Finance costs (cash and non-cash)</b>			
<b>Finance costs - cash</b>	<b>Note</b>		
Capital Indexed Bonds (CIB)	20(b)	4,867	4,752
Commercial Mortgage Backed Securities (CMBS)	20(c)	-	7,748
Australian Medium Term Notes (AMTN)	20(d)	15,925	875
ALE Notes 2	20(e)	940	10,454
Interest rate derivative payments/(receipts)	-	(534)	(7,677)
CMBS early redemption penalty	(iv)	-	1,680
ALE Notes 2 buyback premium	(v)	-	624
Other finance expenses	(ii)	222	580
	(i)	<b>21,420</b>	19,036
<b>Finance costs - non-cash</b>			
Accumulating indexation - CIB	20(b)	2,513	3,625
Amortisation - CIB and CMBS	(iii)	58	2,603
Amortisation - AMTN	(iii)	270	8
Amortisation - AMTN discount	(iii)	32	1
Amortisation - ALE Notes 2	(iii)	214	1,464
		<b>3,087</b>	7,701
<b>Finance costs (cash and non-cash)</b>		<b>24,507</b>	26,737

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 11 Derivatives</b>		
Non current assets	-	4,108
Total assets	-	4,108
Non current liabilities	(1,140)	-
Total liabilities	(1,140)	-
<b>Net assets/(liabilities)</b>	<b>(1,140)</b>	<b>4,108</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 11 Derivatives (continued)</b>		
<b>Instruments used by ALE</b>		
<p>ALE uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with ALE's financial risk management policies. As at balance date, ALE has hedged all non CIB net borrowings past the maturity date of the AMTN through nominal interest rate hedges. Interest rate hedges are carried on the Statement of Financial Position at fair value. Changes in the mark to market fair value of these derivatives are recognised in the Statement of Comprehensive Income.</p>		
<p>Note 20 contains further information on the derivative financial instruments in place over net borrowings.</p>		
<b>Note 12 Income tax</b>		
Current tax expense/(benefit)	(67)	2
Deferred tax expense/(benefit)	24	4,998
<b>Income tax expense/(benefit)</b>	<b>(43)</b>	<b>5,000</b>
<b>Deferred income tax expense included in income tax expense/(benefit) comprises:</b>		
Decrease/(increase) in deferred tax asset (Note 13)	24	4,998
	24	4,998
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax expense	99,321	42,194
Profit/(loss) attributable to entities not subject to tax	99,262	25,706
Profit/(loss) before income tax expense subject to tax	59	16,488
Tax at the Australian tax rate of 30% (2014: 30%)	18	4,946
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	18	42
Other	-	10
Under/(over) provision in prior years	(79)	2
<b>Income tax expense/(benefit)</b>	<b>(43)</b>	<b>5,000</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

		2015 \$'000	2014 \$'000
<b>Note 13 Deferred tax assets</b>			
Deferred tax assets		315	339
<b>The balance is attributable to:</b>			
Employee benefits		44	38
Acquisition proposal due diligence costs		-	1
Amortised borrowing costs		(170)	56
Other items		(1)	(11)
Tax losses		442	255
<b>Net deferred tax assets</b>		<b>315</b>	<b>339</b>
<b>Movements:</b>			
Opening balance		339	5,337
Credited/(charged) to the income statement (Note 12)		(24)	(4,998)
Credited/(charged) to equity		-	-
<b>Closing balance</b>		<b>315</b>	<b>339</b>
Deferred tax assets to be recovered within 12 months		485	273
Deferred tax assets to be recovered after more than 12 months		(170)	66
		<b>315</b>	<b>339</b>
<b>Note 14 Earning and distributions per stapled security</b>			
Reconciliation of profit after tax to amounts available for distribution:	<b>Note</b>		
<b>Profit after income tax for the year</b>	(a)	<b>99,364</b>	37,194
Plus /(less)			
Fair value increments to investment properties	17	(78,790)	(40,180)
Fair value decrements to derivatives	8	5,247	21,203
Loss/(Gain) on disposal of property		-	42
Employee share based payments	23	190	272
Finance costs - non cash	10	3,087	7,701
Income tax expense	12	(43)	5,000
Adjustments for non-cash items		(70,309)	(5,962)
Total available for distribution	(b)	29,055	31,232
Distribution paid or provided for	(d)	32,976	32,193
<b>Available and under/(over) distributed for the year</b>	(e)	<b>(3,921)</b>	(961)
<b>Reconciliation of accumulated undistributed income</b>			
Opening balance		10,444	11,405
Available and undistributed/(over distributed) for the year		(3,921)	(961)
<b>Closing balance</b>	(f)	<b>6,523</b>	<b>10,444</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 14 Earning and distributions per stapled security (continued)</b>		
	<b>Number of Stapled Securities On Issue</b>	<b>Number of Stapled Securities On Issue</b>
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security at (a) and (b) below	195,702,333	195,437,564
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	195,702,333	195,437,564
Stapled securities on issue at the end of the year used in calculating total available for distribution per stapled security at (c) below	195,702,333	195,702,333
	<b>2015 cps</b>	<b>2014 cps</b>
(a) Basic and diluted earnings per stapled security	50.77	19.03
(b) Basic and diluted earnings per stapled security excluding non-cash items (Distributable Profit)	14.85	15.98
(c) Total available for distribution	14.85	15.96
(d) Distribution per stapled security	16.85	16.45
(e) Available and under/(over) distributed for the year	(2.00)	(0.49)
(f) Accumulated undistributed income at the end of the year	3.33	5.34
cps = cents per security		
<b>Note 15 Cash assets and cash equivalents</b>		
Cash at bank and in hand	2,333	10,389
Deposits at call	34,089	131,184
Cash reserve	8,390	8,390
	<b>44,812</b>	<b>149,963</b>
An amount of \$8.39 million is required to be held as a cash reserve as part of the terms of the CIB issue in order to provide liquidity for CIB obligations to scheduled maturity of 20 November 2023.		
An amount of \$2 million is required to be held in a term deposit by the Company to meet minimum net tangible asset requirements of the AFSL licence.		
During the year ended 30 June 2015 all cash assets were placed on deposit with the National Australia Bank Limited. As at 30 June 2015, the weighted average interest rate on all cash assets was 2.75% (2014: 3.39%).		

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 15 Cash assets and cash equivalents (continued)</b>		
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<i>Reconciliation of profit after income tax to net cash inflows from operating activities</i>		
Profit for the year	99,364	37,194
Plus/(less):		
Fair value decrements/(increments) to investment property	(78,790)	(40,180)
Fair value decrements/(increments) to derivatives	5,247	21,203
Finance costs amortisation	574	4,076
Loss/(gain) on disposal of investment property	-	42
Accumulated indexation on CIB	2,513	3,625
Share based payments expense	190	272
Share based payment securities purchased	(130)	(131)
Depreciation	13	17
Decrease/(increase) in receivables	634	(770)
Decrease/(increase) in deferred tax asset	24	4,998
Decrease/(increase) in other assets	(1)	(23)
Increase/(decrease) in payables	(817)	(449)
Increase/(decrease) in provisions	19	25
<b>Net cash inflow from operating activities for the year</b>	<b>28,840</b>	29,899
Distribution payments totalling \$Nil (2014: \$3,939,103) were satisfied by the issue of securities under the Distribution Reinvestment Plan.		
<b>Note 16 Receivables</b>		
Accounts receivable	104	1,783
Other receivables	68	-
Interest receivable	143	364
	<b>315</b>	2,147
<b>Note 17 Investment properties</b>		
Investment properties - at fair value	<b>900,470</b>	821,680
<b>Reconciliation</b>		
A reconciliation of the carrying amounts of investment properties at the beginning and end of the year is set out below:		
Carrying amount at beginning of the year	821,680	786,000
Disposals	-	(4,500)
Net gain/(loss) from fair value adjustments	78,790	40,180
<b>Carrying amount at the end of the year</b>	<b>900,470</b>	821,680

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

**Leasing arrangements**

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



**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**2015**  
**\$'000****2014**  
**\$'000****Note 17 Investment properties (continued)****Measurement of fair value***Valuation approach*

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. As at 30 June 2015, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 5.99% (2014: 6.42%).

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. ALE has a valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the Board's approved valuation policy. These external independent valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The weighted average lease term of the properties is around 13 years.

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 38 properties were independently valued as at 30 June 2015. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by CBRE.

The remaining 48 properties were subject to Directors' valuations as at 30 June 2015, identified as "B". The Directors' valuations of the 48 properties were determined by taking each property's net rent as at 30 June 2015 and capitalising it at a rate equal to the prior year capitalisation rate for that property, adjusted by the average change in capitalisation rate evident in the 38 independent valuations completed at 30 June 2015 on a like for like basis. The Directors have received advice from CBRE, that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a like for like basis.

In June 2015 ALE and ALH agreed to restructure the rent relating to 13 of the 86 properties with application as at 30 June 2015. These properties were all independently valued at 30 June 2015 and are identified as "C" in the investment property table.

The valuations of each independent property are prepared by considering the aggregate of the net annual passing rental receivable from the individual properties and, where relevant, associated costs. A capitalisation rate, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual passing rentals to arrive at the property valuation. The independent valuer also had regard to discounted cash flows modelling in deriving a final capitalisation rate although the capitalisation of income method remains the predominate method used in valuing the properties. A table showing the range of capitalisation rates applied to individual properties for each state in which the property is held is included below.

	<b>2015</b> <b>Yields</b>	2014 Yields	<b>2015</b> <b>Average</b>	<b>2014</b> Average
New South Wales	<b>5.10% - 6.36%</b>	5.57% - 7.84%	<b>5.64%</b>	6.56%
Victoria	<b>4.09% - 6.86%</b>	5.23% - 7.19%	<b>6.02%</b>	6.41%
Queensland	<b>4.62% - 6.75%</b>	5.29% - 6.87%	<b>6.05%</b>	6.33%
South Australia	<b>5.73% - 6.49%</b>	6.03% - 6.76%	<b>6.18%</b>	6.52%
Western Australia	<b>6.19% - 7.12%</b>	6.49% - 7.29%	<b>6.59%</b>	6.75%

Valuations reflect, where appropriate, the tenant in occupation, the credit worthiness of the tenant, the triple-net nature and remaining term of the leases (83 of 86 properties), land tax liabilities (Queensland only) and insurance responsibilities between lessor and lessee and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices, have been served validly and within the appropriate time.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**2015**  
**\$'000**

**2014**  
**\$'000**

**Note 17 Investment properties (continued)**

*Fair value hierarchy*

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

The fair value measurement for investment property of \$900.47 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

*Level 3 fair value*

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

Balance at the beginning of the year	821,680	786,000
Disposals - at fair value	-	(4,500)
Changes in fair value (unrealised)	78,790	40,180
<b>Carrying amount at the end of the year</b>	<b>900,470</b>	<b>821,680</b>

*Valuation techniques and unobservable inputs*

Fair value hierarchy	Class of property	Fair Value 30 June 2015 \$'000's	Valuation technique	Inputs Used to Measure Fair Value	Range of Individual Property Unobservable inputs
Level 3	Pubs	900,470	Capitalisation method	Gross rent p.a (\$'000's)	\$149 - \$1,583
				Land tax p.a (\$'000's)	\$12 - \$127
				Adopted capitalisation rate	4.09% - 7.12%
			Discounted cash flow method	Gross rent p.a (\$'000's)	\$149 - \$1,583
				Land tax p.a (\$'000's)	\$12 - \$127
				Discount rates	6.50% - 9.25%
				Terminal capitalisation rates	6.25% - 7.50%
				Consumer price index	2.48% - 2.50%

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

ALE Property Group

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

<b>Note 17 Investment properties (continued)</b>						
<b>Property</b>	<b>Date acquired</b>	<b>Cost including additions \$'000</b>	<b>Valuation type and date</b>	<b>Fair value at 30 June 2015 \$'000</b>	<b>Fair value at 30 June 2014 \$'000</b>	<b>Fair value gains/ (losses) 30 June 2015 \$'000</b>
<b>New South Wales</b>						
Blacktown Inn, Blacktown	Nov-03	5,472	B	10,810	8,960	1,850
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	B	11,410	9,450	1,960
Colyton Hotel, Colyton	Nov-03	8,208	A	15,900	13,450	2,450
Crows Nest Hotel, Crows Nest	Nov-03	8,772	B	16,150	13,380	2,770
Melton Hotel, Auburn	Nov-03	3,114	A	6,000	5,580	420
Narrabeen Sands Hotel, Narrabeen	Mar-09	8,945	B	13,990	11,650	2,340
New Brighton Hotel, Manly	Nov-03	8,867	C	9,800	15,010	(5,210)
Pioneer Tavern, Penrith	Nov-03	5,849	B	11,830	9,800	2,030
Pritchard's Hotel, Mount Pritchard	Oct-07	21,130	A	24,900	19,600	5,300
Smithfield Tavern, Smithfield	Nov-03	4,151	B	8,430	6,990	1,440
<b>Total New South Wales properties</b>		<b>80,168</b>		<b>129,220</b>	113,870	<b>15,350</b>
<b>Queensland</b>						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	B	13,780	12,200	1,580
Alderley Arms Hotel, Alderley	Nov-03	3,303	B	5,660	5,350	310
Anglers Arms Hotel, Southport	Nov-03	4,434	A	8,150	7,790	360
Balaclava Hotel, Cairns	Nov-03	3,304	C	9,900	5,990	3,910
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	B	15,450	14,680	770
Burleigh Heads Hotel, Burleigh Heads	Nov-08	6,685	B	12,010	11,500	510
Camp Hill Hotel, Camp Hill	Nov-03	2,265	B	3,810	3,625	185
Chardons Corner Hotel, Annerly	Nov-03	1,416	A	2,700	2,120	580
Dalrymple Hotel, Townsville	Nov-03	3,208	C	10,450	5,740	4,710
Edge Hill Tavern, Manoora	Nov-03	2,359	A	5,100	4,690	410
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	B	5,150	4,940	210
Four Mile Creek, Strathpine	Jun-04	3,672	B	6,560	6,350	210
Hamilton Hotel, Hamilton	Nov-03	6,604	A	11,350	9,610	1,740
Holland Park Hotel, Holland Park	Nov-03	3,774	C	11,000	6,420	4,580
Kedron Park Hotel, Kedron Park	Nov-03	2,265	B	3,560	3,400	160
Kirwan Tavern, Townsville	Nov-03	4,434	A	9,200	8,730	470
Lawnton Tavern, Lawnton	Nov-03	4,434	B	7,530	7,200	330
Miami Tavern, Miami	Nov-03	4,057	C	12,000	8,790	3,210
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	B	5,590	5,325	265
Mount Pleasant Tavern, Mackay	Nov-03	1,794	C	8,650	3,380	5,270
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	C	9,700	12,250	(2,550)
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	B	5,080	4,750	330
Palm Beach Hotel, Palm Beach	Nov-03	6,886	A	12,300	11,340	960
Pelican Waters, Caloundra	Jun-04	4,237	B	7,130	6,825	305
Prince of Wales Hotel, Nundah	Nov-03	3,397	B	6,020	5,800	220
Racehorse Hotel, Booval	Nov-03	1,794	B	3,580	3,160	420
Redland Bay Hotel, Redland Bay	Nov-03	5,189	B	9,280	8,825	455
Royal Exchange Hotel, Toowong	Nov-03	5,755	B	9,500	9,075	425
Springwood Hotel, Springwood	Nov-03	9,150	A	15,200	13,730	1,470
Stones Corner Hotel, Stones Corner	Nov-03	5,377	B	9,350	9,010	340
Vale Hotel, Townsville	Nov-03	5,661	B	11,670	10,390	1,280
Wilsonton Hotel, Toowoomba	Nov-03	4,529	B	9,210	7,960	1,250
<b>Total Queensland properties</b>		<b>145,254</b>		<b>275,620</b>	240,945	<b>34,675</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

<b>Note 17 Investment properties (continued)</b>						
<b>Property</b>	<b>Date acquired</b>	<b>Cost including additions</b>	<b>Valuation type and date</b>	<b>Fair value at 30 June 2015</b>	<b>Fair value at 30 June 2014</b>	<b>Fair value gains/ (losses) 30 June 2015</b>
		<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>South Australia</b>						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	B	6,290	5,850	440
Eureka Tavern, Salisbury	Nov-03	3,303	C	5,400	5,800	(400)
Exeter Hotel, Exeter	Nov-03	1,888	B	3,930	3,650	280
Finsbury Hotel, Woodville North	Nov-03	1,605	B	3,440	3,200	240
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	B	4,610	4,290	320
Hendon Hotel, Royal Park	Nov-03	1,605	A	3,500	3,140	360
Stockade Tavern, Salisbury	Nov-03	4,435	C	5,350	7,710	(2,360)
<b>Total South Australian properties</b>		<b>18,310</b>		<b>32,520</b>	33,640	<b>(1,120)</b>
<b>Victoria</b>						
Ashley Hotel, Braybrook	Nov-03	3,963	B	7,780	7,200	580
Bayswater Hotel, Bayswater	Nov-03	9,905	A	18,400	17,300	1,100
Berwick Inn, Berwick	Feb-06	15,888	C	17,500	18,610	(1,110)
Blackburn Hotel, Blackburn	Nov-03	9,433	A	16,000	14,950	1,050
Blue Bell Hotel, Wendouree	Nov-03	1,982	B	4,530	4,190	340
Boundary Hotel, East Bentleigh	Jun-08	17,943	A	21,000	21,190	(190)
Burvale Hotel, Nunawading	Nov-03	9,717	B	17,820	16,490	1,330
Club Hotel - FTG, Ferntree Gully	Nov-03	5,095	A	9,800	9,770	30
Cramers Hotel, Preston	Nov-03	8,301	B	15,680	14,500	1,180
Deer Park Hotel, Deer Park	Nov-03	6,981	B	13,180	12,200	980
Doncaster Inn, Doncaster	Nov-03	12,169	B	20,820	19,270	1,550
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	C	7,400	9,190	(1,790)
Gateway Hotel, Corio	Nov-03	3,114	B	7,000	6,480	520
Keysborough Hotel, Keysborough	Nov-03	9,622	A	17,600	14,810	2,790
Mac's Melton Hotel, Melton	Nov-03	6,886	B	12,580	11,650	930
Meadow Inn Hotel/Motel, Fawkner	Nov-03	7,689	B	14,320	13,250	1,070
Mitcham Hotel, Mitcham	Nov-03	8,584	B	15,220	14,100	1,120
Morwell Hotel, Morwell	Nov-03	1,511	C	2,400	3,290	(890)
Olinda Creek Hotel, Lilydale	Nov-03	3,963	A	7,300	6,800	500
Pier Hotel, Frankston	Nov-03	8,019	B	14,250	13,190	1,060
Plough Hotel, Mill Park	Nov-03	8,490	B	14,110	13,060	1,050
Prince Mark Hotel, Doveton	Nov-03	9,810	A	18,000	16,870	1,130
Royal Exchange, Traralgon	Nov-03	2,171	B	4,710	4,360	350
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	B	19,830	18,350	1,480
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	B	11,240	10,400	840
Sandringham Hotel, Sandringham	Nov-03	4,529	B	10,130	9,380	750
Somerville Hotel, Somerville	Nov-03	2,642	A	5,700	5,280	420
Stamford Inn, Rowville	Nov-03	12,733	A	23,900	19,620	4,280
Sylvania Hotel, Campbellfield	Nov-03	5,377	A	10,600	10,300	300
The Vale Hotel, Mulgrave	Nov-03	5,566	A	11,300	9,900	1,400
Tudor Inn, Cheltenham	Nov-03	5,472	A	9,900	9,600	300
Village Green Hotel, Mulgrave	Nov-03	12,546	B	21,600	20,000	1,600
Young & Jackson, Melbourne	Nov-03	6,132	A	13,600	10,420	3,180
<b>Total Victorian properties</b>		<b>248,121</b>		<b>435,200</b>	405,970	<b>29,230</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

Note 17	Investment properties (continued)					Fair value gains/ (losses) 30 June 2015 \$'000
Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2015 \$'000	Fair value at 30 June 2014 \$'000	
<b>Western Australia</b>						
Queens Tavern, Highgate	Nov-03	4,812	B	8,210	8,000	210
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	C	4,300	4,650	(350)
The Brass Monkey Hotel, Northbridge	Nov-07	7,815	A	9,000	8,330	670
Balmoral Hotel, East Victoria Park	Jul-07	6,377	B	6,400	6,275	125
<b>Total Western Australian properties</b>		<b>22,118</b>		<b>27,910</b>	27,255	<b>655</b>
<b>Total investment properties</b>		<b>513,971</b>		<b>900,470</b>	821,680	<b>78,790</b>
<b>Reconciliation of fair value gains/losses for year ending 30 June 2015</b>						
Fair value as at beginning of the year				821,680	786,000	
Disposals during the year				-	( 4,500)	
<b>Carrying amount before revaluations</b>				<b>821,680</b>	781,500	
Fair value as at end of the year				900,470	821,680	
<b>Fair value gain/(loss) for year</b>				<b>78,790</b>	40,180	

**Valuation type and date**

- A Independent valuations conducted during June 2015 with a valuation date of 30 June 2015.
- B Directors' valuations conducted during June 2015 with a valuation date of 30 June 2015.
- C Independent valuations conducted during June 2015 with a valuation date of 30 June 2015 and formed part of the rental restructure implemented during the year.

ALE Property Group

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 18 Payables</b>		
Trade creditors	385	237
Interest accrued on CIB	546	538
Interest accrued on AMTN	5,719	983
Prepaid interest on AMTN received	-	4,736
Interest accrued on ALE Notes 2	-	789
Other accruals	1,056	1,240
	<b>7,706</b>	<b>8,523</b>
<b>Note 19 Provisions</b>		
Provision for distribution	16,537	16,145
Provision for employee entitlements	145	126
	<b>16,682</b>	<b>16,271</b>
<u>Provision for distribution</u>		
Balance at the beginning of the year	16,145	15,539
Provisions made during the year	32,976	32,237
Provisions used during the year	(32,584)	(31,631)
Balance at the end of the year	<b>16,537</b>	<b>16,145</b>
<u>Provision for employee entitlements</u>		
Balance at the beginning of the year	126	101
Provisions made during the year	158	111
Provisions used during the year	(139)	(86)
Balance at the end of the year	<b>145</b>	<b>126</b>

**Distribution**

The provision for distribution relates to distributions paid to stapled securityholders. The balance at 30 June 2015 will be paid to securityholders on 7 September 2015.

**Employee entitlements**

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

		2015 \$'000	2014 \$'000
<b>Note 20 Borrowings</b>			
<b><u>Current borrowings</u></b>	<b>Note</b>		
ALE Notes 2	(e)	-	102,383
		-	<b>102,383</b>
<b><u>Non-current borrowings</u></b>			
CIB	(b)	143,107	140,536
CMBS	(c)	-	-
AMTN	(d)	333,808	333,515
		<b>476,915</b>	<b>474,051</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 20 Borrowings (continued)</b>		
<b>Capital Indexed Bond (CIB)</b>		
Gross value of debt	111,900	111,900
Accumulated indexation	32,014	29,501
Unamortised borrowing costs	(807)	(865)
<b>Net balance</b>	<b>143,107</b>	<b>140,536</b>
<u>Movements for the year</u>		
Opening balance	140,536	136,860
Accumulating indexation	2,513	3,625
Amortisation of establishment costs	58	51
<b>Closing balance</b>	<b>143,107</b>	<b>140,536</b>
<b>Commercial Mortgage Backed Securities (CMBS)</b>		
Gross value of debt	-	-
Unamortised borrowing costs	-	-
<b>Net balance</b>	<b>-</b>	<b>-</b>
<u>Movements for the year</u>		
Opening balance	-	157,449
Borrowings repaid	-	(160,000)
Amortisation of establishment costs	-	2,551
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Australian Medium Term Notes (AMTN)</b>		
Gross value of debt	335,000	335,000
Unamortised borrowing costs	(1,192)	(1,485)
<b>Net balance</b>	<b>333,808</b>	<b>333,515</b>
<u>Movements for the year</u>		
Opening balance	333,515	-
Proceeds from AMTN issue	-	339,736
Prepaid interest on AMTN received	-	(4,736)
Borrowing establishment costs capitalised	(10)	(1,387)
Discount on issue	-	(107)
Amortisation of establishment costs and discount	303	9
<b>Closing balance</b>	<b>333,808</b>	<b>333,515</b>
<b>ALE Notes 2</b>		
Gross value of debt	-	102,597
Unamortised borrowing costs	-	(214)
<b>Net balance</b>	<b>-</b>	<b>102,383</b>
<u>Movements for the year</u>		
Opening balance	102,383	163,350
Borrowings repaid	(102,597)	(62,404)
Borrowing establishment costs capitalised	-	(27)
Amortisation of establishment costs	214	1,464
<b>Closing balance</b>	<b>-</b>	<b>102,383</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 20 Borrowings (continued)**

**(a) Terms and Repayment Schedule**

	Nominal Interest Rate	Maturity Date <sup>1</sup>	30 June 2015		30 June 2014	
			Face Value	Carrying Amount	Face Value	Carrying Amount
CIB	3.4% <sup>2</sup>	Nov-2023	111,900	143,914	111,900	141,401
AMTN	4.25%	Aug-2017	110,000	110,000	110,000	110,000
AMTN	5.00%	Aug-2020	225,000	225,000	225,000	225,000
ALE Notes 2	BBSW + 4.00%	Aug-2014	-	-	102,597	102,597
			446,900	478,914	549,497	578,998
Unamortised borrowing costs				(1,999)		(2,564)
Total borrowings				476,915		576,434

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing.

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

**(b) CIB**

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

**(c) CMBS**

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

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

**(d) AMTN**

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

**(e) ALE Notes 2**

\$125 million of ALE Notes 2 were issued on 30 April 2010 and \$40 million of ALE Notes 2 were issued 1 November 2012, with a scheduled maturity date of 20 August 2014.

During the prior year ALE conducted an on-market buyback of ALE Notes 2 at \$101 per note. A total of 624,038 ALE Notes 2 were bought back and cancelled. The remaining ALE Notes 2 of \$102.6 million were redeemed on their maturity date of 20 August 2014.



**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

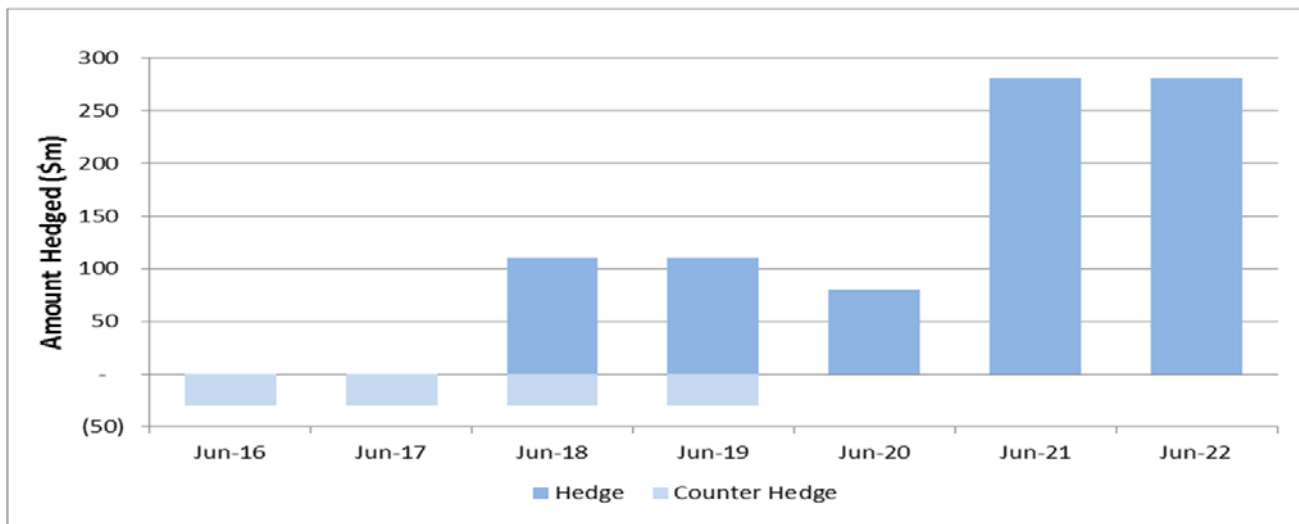
**Note 20 Borrowings (continued)**

**(f) Interest rate hedges**

At 30 June 2015, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Nominal Interest Rate Hedges		Counter Hedges on Nominal Interest Rate Hedges		Net Derivative Position	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Less than 1 year	-	-	-	-	-	-
1 - 2 years	-	-	-	-	-	-
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	-	-	(30,000)	-	(30,000)	-
Greater than 5 years	280,000	280,000	-	(30,000)	280,000	250,000
	280,000	280,000	(30,000)	(30,000)	250,000	250,000

ALE has a forward start hedge in place and a counter hedge that is currently active. The following chart shows the hedge balances over the life of the hedges.



The forward start hedge commences on the date of the maturity of the August 2017 AMTN borrowing and increases on maturity of the August 2020 AMTN borrowings.

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

The average weighted term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE has decreased from 8.8 years at 30 June 2014 to 7.8 years at 30 June 2015.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the Statement of Comprehensive Income. In the year ended 30 June 2015, a decrement in value of \$5.247 million was recognised to the Statement of Comprehensive Income (2014: decrement in value of \$21.203 million).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 20 Borrowings (continued)**

**(g) 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:

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Current assets</b>		
Cash - CIB borrowings reserves	8,390	8,390
<b>Non-current assets</b>		
Total investment properties	900,470	821,680
Less: Properties not subject to mortgages		
Pritchard's Hotel, Mt Pritchard, NSW	(24,900)	(19,600)
Properties subject to mortgages	875,570	802,080
<b>Total assets pledged as security</b>	<b>883,960</b>	<b>810,470</b>

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

**(i) 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:

**Loan to Value Ratio covenants (LVR)**

<b>Borrowing</b>	<b>LVR Covenant</b>	<b>Consequence</b>
CIB	The new issuance of CIB is not permitted if the indexed value of CIB exceeds 30% of the value of properties held as security	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	Note holders may call for notes to be redeemed
AMTN	The new issuance of Net Priority Debt is not permitted to exceed 20% of Net Total Assets	Note holders may call for notes to be redeemed
AMTN	Net Finance Debt not to exceed 60% of Net Total Assets	Stapled Security distribution lockup
AMTN	Net Finance Debt not to exceed 65% of Net Total Assets	Note holders may call for notes to be redeemed
Hedging	As per AMTN above	As per AMTN above

*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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 20 Borrowings (continued)**

***Interest Cover Ratio covenants (ICR)***

<b>Borrowing</b>	<b>ICR covenant</b>	<b>Consequence</b>
CIB	ALH EBITDAR to be greater than 7.5 times CIB Interest expense	Stapled security distributions lockup
AMTN	ALE DPT EBITDA to be greater than or equal to 1.5 times ALE DPT interest expense	Note holders may call for notes to be redeemed
Hedging	As per AMTN above	As per AMTN above

*Definitions*

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

***Rating covenant***

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

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

At all times during the years ended 30 June 2015 and 30 June 2014, ALE and its subsidiaries were in compliance with all the above covenants.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 21 Contributed equity</b>		
Balance at the beginning of the period	257,870	254,080
Securities issued - Distribution Reinvestment Plan	-	3,939
Costs associated with on-market purchase of securities for the Distribution Reinvestment Plan	-	(149)
	<b>257,870</b>	257,870
<b>Movements in the number of fully paid stapled securities during the year</b>		
	<b>2015 Number of Stapled Securities</b>	<b>2014 Number of Stapled Securities</b>
Stapled securities on issue:		
Balance at the beginning of the period	195,702,333	194,238,078
Securities issued - Distribution Reinvestment Plan	-	1,464,255
<b>Balance at the end of the period</b>	<b>195,702,333</b>	195,702,333
<b>Stapled securities</b>		
<p>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.</p>		
<b>No income voting units (NIVUS)</b>		
<p>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.</p>		
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Note 22 Retained profits</b>		
Balance at the beginning of the year	118,815	113,895
Profit attributable to stapled securityholders	99,364	37,194
Transfer from share based payments reserve	(71)	(81)
Total available for appropriation	218,108	151,008
Distributions provided for or paid during the year	(32,976)	(32,193)
<b>Balance at the end of the year</b>	<b>185,132</b>	118,815
<b>Note 23 Share Based Payments Reserve</b>		
Balance at the beginning of the year	604	382
Employee share based payments	190	272
Transfer to/(from) Retained Profits on lapsing of Performance Rights	(59)	(50)
Issue of stapled securities	-	-
	<b>735</b>	604

Share based payments are detailed further in Note 24.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 24 Share based payments**

During 2007, ALE established a Performance Rights Plan that entitled key management personnel, subject to performance, to become entitled to acquire stapled securities at nil cost to the employee. Under the Performance Rights Plan grants of performance rights have been made to Mr Wilkinson and Mr Slade. In accordance with the plan the performance rights vest upon performance hurdles being achieved. The Performance Rights Plan was discontinued in 2012 and replaced with an Executive Stapled Securities Scheme. There are no performance rights outstanding at the end of the year.

Performance Rights (PR) Plan

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

	<b>Number of performance rights 2015</b>	<b>Weighted average fair value 2015</b>	<b>Number of performance rights 2014</b>	<b>Weighted average fair value 2014</b>
Outstanding at 1 July	8,272	1.05	56,990	1.05
Issued/delivered during year	(8,272)	1.05	(48,718)	1.27
Outstanding at 30 June	-	-	8,272	1.05

During July 2014 8,272 securities owing to Mr Slade were purchased on market to satisfy the delivery of performance rights that had vested on 1 July 2014 following the expiry of the two year delayed delivery period.

Executive Stapled Securities Scheme

For the year ended 30 June 2014 the following table summarises the number of ESSS Rights granted. The number of Stapled Securities awarded was determined by dividing the value of the 2014 grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's 2014 full year statutory financial statements.

	<b>2014 Number</b>	<b>2013 Number</b>
Mr A F O Wilkinson	63,732	34,878
Mr A J Slade	31,375	19,092
Mr M J Clarke	7,844	8,825
Mr D J Shipway	3,922	8,825

For the year ended 30 June 2015 the following ESSS Rights were granted to executives under the ESSS. The number of Stapled Securities awarded will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements for the year. The number of securities granted for the current year grants will be determined on 13 August 2015.

	<b>2015 \$</b>	<b>2014 \$</b>
Mr A F O Wilkinson	105,000	162,500
Mr A J Slade	50,000	80,000
Mr M J Clarke	20,000	20,000
Mr D J Shipway	15,000	10,000

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

	<b>Number ESSS rights 2015</b>	<b>Weighted average fair value 2015</b>	<b>Number of ESSS rights 2014</b>	<b>Weighted average fair value 2014</b>
Outstanding at beginning of the year	172,938	1.87	101,318	1.58
Granted during year	106,873	2.55	71,620	2.27
Vested during year	(34,571)	1.45	-	-
Lapsed during year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>245,240</b>	<b>2.22</b>	<b>172,938</b>	<b>1.87</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 25 Key management personnel disclosures**

**(a) Directors**

The following persons were Directors of ALE Property Group, comprising Australian Leisure and Entertainment Property Trust and its controlled entities during the financial year:

<b>Name</b>	<b>Type</b>	<b>Appointed</b>	<b>Resigned</b>
P H Warne (Chairman)	Non-executive	8 September 2003	
J P Henderson	Non-executive	19 August 2003	6 November 2014
H I Wright	Non-executive	8 September 2003	
P J Downes	Non-executive	26 November 2013	
P G Say	Non-executive	24 September 2014	
N J Milne	Non-executive	6 February 2015	
A F O Wilkinson (Managing Director)	Executive	16 November 2003	
J T McNally	Executive	26 June 2003	

**(b) Other key management personnel**

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

<b>Name</b>	<b>Title</b>
A J Slade	Capital Manager
M J Clarke	Finance Manager and Assistant Company Secretary
D J Shipway	Asset Manager
B R Howell	Company Secretary and Compliance Officer

**(c) Compensation for key management**

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	1,839,888	1,818,454
Post employment benefits	130,179	98,461
Other long term benefits	15,965	47,726
Share based payments	190,000	272,500
Termination benefits	-	-
	<b>2,176,032</b>	<b>2,237,141</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

	2015 \$	2014 \$
<b>Note 26 Remuneration of Auditors</b>		
<b>Audit services</b>		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the Group and other audit work under the <i>Corporations Act 2001</i>		
- in relation to current year	160,000	180,500
- in relation to prior year	5,000	8,500
<b>Total remuneration for audit services</b>	<b>165,000</b>	<b>189,000</b>

**Note 27 Related party transactions**

**(a) Parent entity and subsidiaries**

Details are set out in Note 34.

**(b) Key management personnel**

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

**(c) Transactions with related parties**

For the year ended 30 June 2015, the Company received \$4,013,868 of expense reimbursement from the Trust (2014: \$3,843,332), and the Finance Company charged the Sub Trust \$7,454,819 interest (2014: \$45,368,224).

Peter Warne is a non-executive director of Macquarie Group Limited (Macquarie). Macquarie has provided corporate advice and underwriting services to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to any of the above matters.

**(d) Terms and conditions**

All related party transactions are conducted on normal commercial terms and conditions.

Outstanding balances are unsecured and are repayable in cash and callable on demand.

**Note 28 Commitments**

**(a) Capital commitments**

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

**(b) Leases as Lessee**

The Company has entered into a 5 year non-cancellable operating lease for office premises at Level 10, 6 O'Connell Street, Sydney starting November 2010. The Company has also entered into a non-cancellable operating lease for office equipment. The minimum net lease commitments under these leases are:

	2015 \$'000	2014 \$'000
<b>(i) Future minimum lease payments</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	46	123
Later than one year but not later than five years	-	46
Later than five years	-	-
	<b>46</b>	<b>169</b>
<b>(ii) Amount recognised in the profit and loss</b>		
Rent expense	<b>123</b>	<b>114</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

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

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

	2015 \$'000	2014 \$'000
<b><i>(i) Future minimum lease payments</i></b>		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	56,414	55,223
Later than one year but not later than five years	246,240	237,674
Later than five years	592,420	619,316
	<b>895,074</b>	<b>912,213</b>
<b><i>(ii) Amount recognised in the profit and loss</i></b>		
Rental income	<b>55,214</b>	<b>54,187</b>

**Note 29 Contingent liabilities and contingent assets****Put and call options**

For most of the investment properties, at the end of the initial lease term of 25 years (2028 for most of the portfolio), and at the end of each of four subsequent ten year terms if the lease is not renewed, there is a call option for ALE (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence is to be included or excluded at the tenant's option. These assets are to be purchased at current value, at that time, as determined by the valuation methodology set out in the leases. ALE must pay the purchase price on expiry of the lease. Any leasehold improvements funded and completed by the tenant will be purchased by ALE from the tenant at each property for an amount of \$1.

**Bank guarantee**

ALE has entered into a bank guarantee of \$89,480 in respect of the office tenancy at Level 10, 6 O'Connell Street, Sydney.

**Note 30 Investments in controlled entities**

The Trust owns 100% of the issued units of the Sub Trust. The Sub Trust owns 100% of the issued shares of the Finance Company. The Trust owns none of the issued shares of the Company, but is deemed to be its "acquirer" under IFRS.

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

**Note 31 Segment information****Business segment**

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

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

All ALE Property Group's properties are leased to members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2014: 100%).

**Geographical segment**

ALE owns property solely within Australia.

**Note 32 Events occurring after reporting date**

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



**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 33 Financial Instruments**

**(a) Credit risk**

ALE's major credit risk is that the tenant will fail to perform its contractual obligations including honouring the terms of the lease agreements, either in whole or in part. Credit risk is monitored on a continuous basis to determine if the tenant has appropriate financial standing having regard to the various security arrangements that are in place.

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

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

*Exposure to credit risk*

	Note	2015 \$'000	2014 \$'000
Receivables	16	315	2,147
Derivatives	11	-	4,108
Cash and cash equivalents	15	44,812	149,963
		<b>45,127</b>	156,218

*Impairment losses*

The ageing of trade receivables at balance date was:

	2015 Gross Receivable Impairment \$'000 \$'000		2014 Gross Receivable Impairment \$'000 \$'000	
Not past due	290	-	2,147	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	7	-	-	-
Past due 121-365 days	18	-	-	-
More than one year	-	-	-	-
	<b>315</b>	<b>-</b>	2,147	-

Based on historic default rates, ALE believes that no impairment allowances are necessary in respect of trade receivables as at 30 June 2015, as the receivables relate to tenants assessed by ALE as having good credit history.

**(b) Liquidity risk**

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

30 June 2015	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than five years \$'000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	7,706	(7,706)	(7,706)				
CIB	143,107	(225,159)	(2,440)	(2,454)	(4,999)	(15,771)	(199,495)
AMTN	333,808	(408,562)	(7,962)	(7,962)	(15,925)	(146,088)	(230,625)
<b>Derivative financial instruments</b>							
Interest rate hedges	1,140	(1,360)	193	195	344	(2,269)	177
	<b>485,761</b>	<b>(642,787)</b>	<b>(17,915)</b>	<b>(10,221)</b>	<b>(20,580)</b>	<b>(164,128)</b>	<b>(429,943)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 33 Financial instruments (continued)**

<b>30 June 2014</b>	<b>Carrying amount \$'000</b>	<b>Contractual cash flows \$'000</b>	<b>6 months or less \$'000</b>	<b>6-12 months \$'000</b>	<b>1-2 years \$'000</b>	<b>2-5 years \$'000</b>	<b>More than five years \$'000</b>
<b>Non-derivative financial liabilities</b>							
Trade and other payables	8,523	(8,523)	(8,523)				
CIB	140,536	(230,354)	(2,420)	(2,452)	(5,000)	(15,773)	(204,709)
AMTN	333,515	(424,224)	(7,962)	(7,962)	(15,925)	(150,500)	(241,875)
ALE Notes 2	102,383	(104,326)	(104,326)	-	-	-	-
<b>Derivative financial instruments</b>							
Interest rate hedges	(4,108)	5,414	448	135	207	(118)	4,742
	<b>580,849</b>	<b>(762,013)</b>	<b>(122,783)</b>	<b>(10,279)</b>	<b>(20,718)</b>	<b>(166,391)</b>	<b>(441,842)</b>

*Interest rates used to determine contractual cash flows*

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

**(c) Interest rate risk**

Potential variability in future distributions arise predominantly from financial assets and liabilities bearing variable interest rates. For example, if financial liabilities exceed financial assets and interest rates rise, to the extent that interest rate derivatives (hedges) are not available to fully hedge the exposure, distribution levels would be expected to decline from the levels that they would otherwise have been.

ALE also has long term leased property assets and fixed interest rate liabilities that are currently intended to be held until maturity. The market value of these assets and liabilities are also expected to change as long term interest rates fluctuate. For example, as long term interest rates rise, the market value of both property assets and fixed or hedged interest rate liabilities may fall (all other market variables remaining unchanged). These movements in property assets and fixed interest rate liabilities impact upon the net equity value of ALE.

*Profile*

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Derivative financial assets	-	4,108
Derivative financial liabilities	(1,140)	-
Borrowings		
CIB	(143,107)	(140,536)
ALE Notes 2	-	(102,383)
AMTN	(333,808)	(333,515)
	<b>(478,055)</b>	<b>(572,326)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 33 Financial instruments (continued)**

*Sensitivity analysis*

A change of 100 basis points in the prevailing nominal market interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular the CPI, remain constant. The analysis was performed on the same basis for 2014.

	Statement of Comprehensive Income		Equity	
	100 bps increase \$'000	100 bps decrease \$'000	100 bps increase \$'000	100 bps decrease \$'000
<b>30 June 2015</b>				
Interest rate hedges	6,097	(6,599)	6,097	(6,599)
CIB	-	-	-	-
AMTN	-	-	-	-
	<b>6,097</b>	<b>(6,599)</b>	<b>6,097</b>	<b>(6,599)</b>
<b>30 June 2014</b>				
Interest rate hedges	3,789	(4,345)	3,789	(4,345)
CIB	-	-	-	-
AMTN	-	-	-	-
ALE Notes 2	-	-	-	-
	<b>3,789</b>	<b>(4,345)</b>	<b>3,789</b>	<b>(4,345)</b>

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

**(d) Consumer price index risk**

Potential variability in future distributions arise predominantly from financial assets and liabilities through movements in the consumer price index (CPI). For example, ALE's investment properties are subject to annual rental increases based on movements in the CPI. This will in turn flow through to investment property valuations.

*Profile*

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

	2015 \$'000	2014 \$'000
<b>Financial instruments</b>		
Investment properties	900,470	821,680
CIB	(143,107)	(140,536)
	<b>757,363</b>	<b>681,144</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 33 Financial instruments (continued)***Sensitivity analysis for variable rate instruments*

A change of 100 bps in CPI at the reporting date would have increased/(decreased) Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and capitalisation rates applicable to investment properties, remain constant. The analysis was performed on the same basis for 2014.

	Statement of Comprehensive Income		Equity	
	100 bps increase \$'000	100 bps decrease \$'000	100 bps increase \$'000	100 bps decrease \$'000
<b>30 June 2015</b>				
Investment properties	9,961	-	9,961	-
CIB	-	-	-	-
	<b>9,961</b>	<b>-</b>	<b>9,961</b>	<b>-</b>
<b>30 June 2014</b>				
Investment properties	8,878	-	8,878	-
CIB	-	-	-	-
	<b>8,878</b>	<b>-</b>	<b>8,878</b>	<b>-</b>

Investment properties have been included in the sensitivity analysis as, although they are not financial instruments, the long term CPI linked leases attaching to the investment properties are similar in nature to financial instruments. Under the terms of the leases on the ALE properties there is no change to rental income should CPI decrease.

There is no impact on the Statement of Comprehensive Income or Equity arising from a 100 bps movement in CPI at the reporting date on the CIB, as the terms of this instrument use CPI rates for the quarters ending the preceding March and December to determine their values at 30 June.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**(e) Fair values**

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

Derivative financial instruments

*Fair Value hierarchy*

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

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

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

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

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

	2015			2014		
	Carrying Amount	Fair Value	Fair Value	Carrying Amount	Fair Value	Fair Value
	\$'000	\$'000	Hierarchy	\$'000	\$'000	Hierarchy
<b>Financial assets measured at fair value</b>						
Derivatives	(1,140)	(1,140)	Level 2	4,108	4,108	Level 2
	<b>(1,140)</b>	<b>(1,140)</b>		<b>4,108</b>	<b>4,108</b>	
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	44,812	44,812	-	149,963	149,963	-
Receivables	315	315	-	2,147	2,147	-
Other assets	250	250	-	249	249	-
	<b>45,377</b>	<b>45,377</b>		<b>152,359</b>	<b>152,359</b>	
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	(7,706)	(7,706)	-	(8,523)	(8,523)	-
CIB	(143,107)	(152,050)	Level 1	(140,536)	(144,663)	Level 1
AMTN	(333,808)	(346,584)	Level 1	(333,515)	(337,264)	Level 1
ALE Notes 2	-	-	-	(102,383)	(103,623)	Level 1
	<b>(484,621)</b>	<b>(506,340)</b>		<b>(584,957)</b>	<b>(594,073)</b>	

*Valuation techniques used to derive level 2 fair values*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 30 June 2015

**Note 34 Parent Entity Disclosures**

As at, and throughout, the financial year ending 30 June 2015 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Result of the parent entity</b>		
Profit for the year	29,196	32,193
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>29,196</b>	<b>32,193</b>
<b>Financial position of the parent entity</b>		
Current assets		
Cash	21	33
Receivables	-	67,009
Other	-	-
Non current assets		
Investments in controlled entities	275,656	275,656
<b>Total assets</b>	<b>275,677</b>	<b>342,698</b>
Current liabilities		
Payables	39,577	789
Provisions	16,537	16,184
Non current liabilities		
Borrowings	-	102,383
<b>Total liabilities</b>	<b>56,114</b>	<b>119,356</b>
<b>Net assets</b>	<b>219,563</b>	<b>223,342</b>
Total equity of the parent entity comprising of:		
Issued units	252,192	252,192
Retained earnings	(32,629)	(28,850)
<b>Total equity</b>	<b>219,563</b>	<b>223,342</b>

**ALE Property Group**

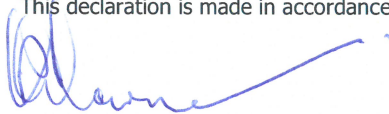
**DIRECTORS' DECLARATION**

For the Year Ended 30 June 2015

In the opinion of the directors of the Company:

- (a) the financial statements and notes that are set out on pages 21 to 60 and the Remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including
  - (i) giving a true and fair view of ALE's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that ALE will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by *Section 295A of the Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2015.
- (d) The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Peter H Warne  
Director  
Sydney

Dated this 5<sup>th</sup> day of August 2015



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

### **Report on the financial report**

We have audited the accompanying financial report of ALE Property Group (the Group), which comprises the statement of financial position as at 30 June 2015, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Australian Leisure and Entertainment Property Trust (the Trust) and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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





*Independence*

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

*Auditor's opinion*

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

**Report on the remuneration report**

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of ALE Property Group for the year ended 30 June 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer  
Partner

Sydney

5 August 2015

## INVESTOR INFORMATION

For The Year Ended 30 June 2015

### Securityholders

The securityholder information as set out below was applicable as at 13 July 2015.

#### A. DISTRIBUTION OF EQUITY SECURITIES

Range	Total Holders	Number of Securities	% of Issued Capital
1 - 1,000	674	232,831	0.12
1,001 - 5,000	1,311	4,001,172	2.04
5,001 - 10,000	965	7,470,395	3.82
10,001 - 100,000	1,815	46,270,922	23.64
100,001 - 999,999,999	119	137,727,013	70.38
<b>Total</b>	<b>4,884</b>	<b>195,702,333</b>	<b>100.00</b>

The stapled securities are listed on the ASX and each stapled security is comprised of one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The NIVUS have been issued by the Trust to the Company. The number of securityholders holding less than a marketable parcel of stapled securities is 271.

#### B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	UBS Nominees Pty Ltd	25,505,910	13.03
2	Woolworths Limited	17,076,936	8.73
3	HSBC Custody Nominees (Australia) Limited	15,792,064	8.07
4	National Nominees Limited	12,002,192	6.13
5	Citicorp Nominees Pty Limited	10,706,257	5.47
6	J P Morgan Nominees Australia Limited	6,599,159	3.37
7	National Nominees Limited	6,257,449	3.20
8	Manderrah Pty Ltd [GJJ Family Account]	3,742,733	1.91
9	HSBC Custody Nominees (Australia) Limited [Account 3]	3,253,639	1.66
10	HSBC Custody Nominees (Australia) Limited [GSCO ECA]	2,949,366	1.51
11	Mr Edward Furnival Griffin and Mr Alastair Charles Griffin [Est Jean Falconer Griffin Ac]	2,795,751	1.43
12	Melic Pty Limited [The Melic Unit A/C]	2,460,371	1.26
13	UBS Wealth Management Australia Nominees Pty Ltd	2,387,514	1.22
14	RBC Investor Services Australia Nominees Pty Limited [APN Account]	2,256,257	1.15
15	Merlor Holdings Pty Ltd [Basserabie Family Sett Account]	1,541,927	0.79
16	ABN AMRO Clearing Sydney Nominees Pty Ltd [Custodian Account]	1,517,117	0.78
17	RBC Investor Services Australia Nominees Pty Limited [Bkcust Account]	767,784	0.39
18	BT Portfolio Services Limited [Caergwrl Invest P/L Account]	745,787	0.38
19	Mr David Calogero Loggia	716,357	0.37
20	C J H Holdings Pty Ltd [Superannuation Fund Account]	660,953	0.34
<b>Totals: Top 20 Holders of Stapled Securities</b>		<b>119,735,523</b>	<b>61.19</b>
<b>Totals: Remaining Holders Balance</b>		<b>75,966,810</b>	<b>38.81</b>

### C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 13 July 2015) are set out below:

Stapled Securit Name	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	49,686,218	25.39
Woolworths Limited	17,076,936	8.73
Allan Gray Australia	16,070,185	8.21

### D. VOTING RIGHTS

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

#### (a) Stapled securities

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

#### (b) NIVUS

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

### E. EQUITY RESEARCH COVERAGE OF ALE

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

Paul Checchin and Rob Freeman – Macquarie Securities

Scott Molloy – JP Morgan Securities

Adrian Atkins – Morningstar

Fiona Buchanan and Scott Murdoch – Morgans

Jason Prowd and Jon Mills – Intelligent Investor

## INVESTOR INFORMATION

The information is provided as a short summary of investor information. Please view our website at [www.alegroup.com.au](http://www.alegroup.com.au) for all investor information.

2015	
27 Oct 2015	Annual General Meeting
7 Sep 2015	Full year distribution payment
6 Aug 2015	Full Year results, Annual Review / Report and Property Compendium released
17 Jul 2015	Property Valuations increased by 9.6%
10 Jun 2014	Full year distribution of 16.85 cents declared
10 Mar 2015	Caledonia increases substantial holding to 25.39%
6 Mar 2015	Allan Gray reduces substantial holding to 8.21%
5 Mar 2015	Half year distribution payment
6 Feb 2015	Appointment of Nancy Milne as non-executive Director
5 Feb 2015	Half year results released

2014	
23 Dec 2014	Property valuations as at 31 December 2014
5 Dec 2014	Caledonia increases substantial holding to 24.32%
7 Nov 2014	Amendment to Distribution Reinvestment Plan
6 Nov 2014	Retirement of John Henderson as non-executive Director
29 Oct 2014	Allan Gray reduces substantial holding to 9.23%
26 Sep 2014	Annual Report posted
25 Sep 2014	Appointment of Paul Say as non-executive Director
23 Sep 2014	Notice of Annual General Meeting
5 Sep 2014	Full year distribution payment
6 Aug 2014	Full Year results, Annual Review / Report and Property Compendium released
25 Jul 2014	Property Valuations increased by 5.1%
15 Jul 2014	Successful refinancing and hedge restructure
19 Jun 2014	Suspension of DRP announced
16 Jun 2014	On-market buy back of ALE Notes 2
13 Jun 2014	Full Year distribution of 16.45 cents declared
29 May 2014	ALE Prices Inaugural AMTN
28 May 2014	ALE reaffirms acquisition and capital management strategies
8 May 2014	Investment Grade Credit Rating Assigned to ALE
8 Apr 2014	Settlement of sale of Victoria Hotel, Shepparton
5 Mar 2014	Caledonia increases substantial holding to 22.22%

### Stock Exchange Listing

The ALE Property Group (ALE) is listed on the Australian Stock Exchange (ASX). Its stapled securities are listed under ASX code: LEP.

### Distribution Reinvestment Plan

ALE has established 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](http://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](http://www.aleproperties.com.au), provides further detailed information on ALE's property portfolio.

### SecurityHolder Enquiries

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

### Registered Office

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

### Company Secretary

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

### Auditors

KPMG  
10 Shelley Street  
Sydney NSW 2000

### Lawyers

Allens Linklaters  
Level 28, Deutsche Bank Place  
Sydney NSW 2000

### Custodian (of Australian Leisure and Entertainment Property Trust)

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

### Trustee (of ALE Direct Property Trust)

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

### Registry

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



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Melbourne, CBD

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# Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

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2015

**Australian Leisure and Entertainment  
Property Management Limited**

Australian Leisure and Entertainment Property  
Management Limited is the responsible entity and the  
management company of ALE Property Group

[WWW.ALEGROUP.COM.AU](http://WWW.ALEGROUP.COM.AU)

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## DIRECTORS' REPORT

For The Year Ended 30 June 2015

The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2015.

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

Level 10  
6 O'Connell Street  
Sydney 2000

### 1 Directors

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

Name	Type	Appointed	Resigned
P H Warne (Chairman)	Independent non-executive	8 September 2003	
J P Henderson	Independent non-executive	19 August 2003	6 November 2014
H I Wright	Independent non-executive	8 September 2003	
P J Downes	Independent non-executive	26 November 2013	
P G Say	Independent non-executive	24 September 2014	
N J Milne	Independent non-executive	6 February 2015	
A F O Wilkinson (Managing Director)	Executive	16 November 2004	
J T McNally	Executive	26 June 2003	

### 2 Principal activities

During the year the principal activities of the Company consisted of property funds management and acting as responsible entity for the Australian Leisure and Entertainment Property Trust (the "Trust"). There has been no significant change in the nature of these activities during the year.

### 3 Dividends

No provisions for or payments of Company dividends have been made during the year (2014: nil).

### 4 Review of operations

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

	30 June 2015 \$	30 June 2014 \$
<b>Revenue</b>		
Expense reimbursement	4,013,868	3,843,332
Interest income	12,664	93,199
<b>Total revenue</b>	<b>4,026,532</b>	<b>3,936,531</b>
<b>Expenses</b>		
Salaries, fees and related costs	2,508,417	2,490,680
Other expenses	1,565,452	1,568,256
<b>Total expenses</b>	<b>4,073,869</b>	<b>4,058,936</b>
<b>Profit/(loss) before income tax</b>	<b>(47,337)</b>	<b>(122,405)</b>
Income tax expense / (benefit)	(74,675)	16,576
<b>Profit/(loss) attributable to the shareholders of the Company</b>	<b>27,338</b>	<b>(138,981)</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	0.01	(0.07)
Dividend per share for the year	-	-
Net assets per share	7.39	7.35

### 5 Significant changes in the state of affairs

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

## DIRECTORS' REPORT

For The Year Ended 30 June 2015

### **6 Matters subsequent to the end of the financial year**

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

### **7 Likely developments and expected results of operations**

The Company will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the Company and its value to its shareholders.

The Directors are not aware of any future developments likely to significantly affect the operations and/or results of the Company.

### **8 Information on Directors**

#### **Mr Peter Warne B.A, FAICD, Chairman and Non-executive Director.**

##### ***Experience and expertise***

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

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited (BTAL) in 1981. Peter held senior positions in the Fixed Income Department, the Capital Markets Division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business of BTAL was acquired by Macquarie Bank Limited in 1999. Peter is Chairman of OzForex Group Limited and a board member of ASX Limited and Macquarie Group Limited. He is also on the board of NSW Treasury Corporation and is a member of the Advisory Board for the Australian Office of Financial Management.

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

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

##### ***Experience and expertise***

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

Helen is the Chair of the Advisory Committee of Screen NSW (formerly Film & Television Office), and for ten years until recently was the Statutory and Other Offices Remuneration Tribunal for NSW and the Local Government Remuneration Tribunal for NSW. Prior appointments include the Boards of several State, commercial, university and charitable entities. Helen has a Bachelor of Laws from the University of NSW and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business Administration.

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

##### ***Experience and expertise***

Pippa was appointed a Director on 26 November 2013.

Ms Downes is a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. She is also on the panel of the ASX Appeals Tribunal. Pippa is also a director of the Pinnacle Foundation. Ms Downes was a Managing Director and Equity Partner of Goldman Sachs in Australia until October 2011, working in the Proprietary Investment division. Ms Downes has had a successful international banking and finance career spanning over 20 years where she has led the local derivative and trading arms of several of the world's leading Investment Banks. She has extensive experience in Capital Markets, derivatives and asset management.

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

Pippa was previously an appointed Director on the Board of Swimming Australia and the Swimming Australia Foundation. Pippa graduated from the University of California at Berkeley with a Bachelor of Science in Business Administration majoring in Finance and Accounting. Pippa also completed a Masters of Applied Finance from Macquarie University in 1998.



## **DIRECTORS' REPORT**

For The Year Ended 30 June 2015

### **Mr Paul Say, BSc(Bus Ad), MAppFin, GAICD, Non-executive Director.**

#### ***Experience and expertise***

Paul has over 30 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Mr Say was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance.

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

### **Ms Nancy Milne, OAM, LLB, FAICD, Non-executive Director.**

#### ***Experience and expertise***

Nancy is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, Greenstone Limited and Novian Property Group.

Nancy has a Bachelor of Laws from the University of Sydney. She is a member of the NSW Council of the Australian Institute of Company Directors and the Institute's Law Committee.

### **Mr Andrew Wilkinson B.Bus, CFTP, MAICD, Managing Director.**

#### ***Experience and expertise***

Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003. Andrew has around 35 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

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

#### ***Experience and expertise***

James was appointed as an executive and founding director of the company in June 2003. James has over 20 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry. James' qualifications include a Bachelor of Business in land economy and a Diploma of Law. James is also a registered valuer and licensed real estate agent.

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

#### ***Experience and expertise***

Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006. Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia.

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

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

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

**DIRECTORS' REPORT**

For The Year Ended 30 June 2015

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

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

***Experience and expertise***

David was appointed to ALE's ACRMC on 9 December 2005 and has over 25 years' experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia. David is, the Chairman of the Australian Trade Commission Audit and Risk Committee, and the National Mental Health Commission Audit Committee, and is an audit committee member of the Australian Office of Financial Management, the Department of Foreign Affairs and Trade, the Australian Sports Anti-Doping Authority, and the Australian Maritime Safety Authority. David is Chairman of Australian Settlements Limited. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and a past President of the Institute of Internal Auditors – Australia.

**Special responsibilities of Directors**

The following are the special responsibilities of each Director:

<b>Director</b>	<b>Special responsibilities</b>
P H Warne	Chairman of the Board Member of the Audit, Compliance and Risk Management Committee (ACRMC) Chair of the Nominations Committee Chair of the Remuneration Committee
H I Wright	Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
J P Henderson	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
P J Downes	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
P G Say	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
N J Milne	Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)
J T McNally	Responsible Manager of the Company under the Company's AFSL

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

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

<b>Name</b>	<b>Role</b>	<b>Number held at the start of the year</b>	<b>Net Movement</b>	<b>Number held at the end of the year</b>
P H Warne	Non-executive Director	1,185,000	-	1,185,000
H I Wright	Non-executive Director	150,000	-	150,000
P J Downes	Non-executive Director	213,394	510	213,904
P G Say	Non-executive Director	-	-	-
N J Milne	Non-executive Director	-	20,000	20,000
A F O Wilkinson	Executive Director	213,668	31,055	244,723
J T McNally	Executive Director	55,164	-	55,164
A J Slade	Capital Manager	31,418	18,582	50,000
M J Clarke	Finance Manager	11,727	3,273	15,000
D J Shipway	Asset Manager	4,000	-	4,000

**DIRECTORS' REPORT**

For The Year Ended 30 June 2015

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

<b>Name</b>	<b>Role</b>	<b>Number held at the start of the year</b>	<b>Granted during the year</b>	<b>Lapsed/ Delivered during the year</b>	<b>Number held at the end of the year</b>
<b>Performance Rights</b>					
A J Slade	Capital Manager	8,272	-	(8,272)	-
<b>ESSS Rights</b>					
A F O Wilkinson	Executive Director	78,014	63,732	-	141,746
A J Slade	Capital Manager	77,274	31,375	(34,571)	74,078
M J Clarke	Finance Manager	8,825	7,844	-	16,669
D J Shipway	Asset Manager	8,825	3,922	-	12,747

**Meetings of Directors**

The number of meetings of the Company's Board of Directors held and of each Board committee meeting held during the year ended 30 June 2013 and the number of meetings attended by each Director at the time the Director held office during the year were:

<b>Director</b>	<b>Board</b>		<b>ACRMC</b>		<b>Nominations and Remuneration Committee</b>	
	<b>Held<sup>1</sup></b>	<b>Attended</b>	<b>Held<sup>1</sup></b>	<b>Attended</b>	<b>Held<sup>1</sup></b>	<b>Attended</b>
P H Warne	11	11	8	8	5	5
J P Henderson	4	3	3	2	-	-
H I Wright	11	9	8	7	5	5
P J Downes	11	11	8	8	5	5
P G Say	8	8	6	6	5	5
N J Milne	4	4	1	1	3	3
A F O Wilkinson	11	11	n/a	n/a	n/a	n/a
J T McNally	11	11	n/a	n/a	n/a	n/a

**Member of Audit, Compliance and Risk Management Committee**

D J Lawler	n/a	n/a	8	8	n/a	n/a
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<sup>1</sup> "Held" reflects the number of meetings which the Director or member was eligible to attend.

## **DIRECTORS' REPORT**

For the year ended 2015

### **9 Remuneration Report (Audited)**

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2015 for employees of ALE including the directors, the Managing Director and key management personnel.

#### **9.1 Remuneration Objectives and Approach**

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

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

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

- alignment with ALE's financial, operational, compliance and risk management objectives so as to achieve alignment with positive outcomes for stapled securityholders;
- alignment with ALE's overall performance;
- transparent, reasonable and acceptable to employees and securityholders;
- rewards the responsibility, capability, experience and contribution made by executives;
- recognises individual executive's contributions towards value accretive outcomes when measured against Key Performance Indicators (KPI's); and
- market competitive and complementary to the reward strategy of the organisation.

The framework provides a mix of fixed and variable remuneration. Since the year ending 30 June 2012 the variable remuneration has been provided through the Executive Incentive Scheme (EIS). Any award under the EIS is paid 50% in cash at the year end and 50% in stapled securities with delivery deferred three years.

#### **9.2 Remuneration and Nominations Committee**

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

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

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

The Committee operates independently of management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2015, the Committee consisted of the following:

P H Warne (Chairman)	Non-executive Director
H I Wright	Non-executive Director
P J Downes	Non-executive Director
P G Say	Non-executive Director
N J Milne	Non-executive Director

Refer page 70 of this report for information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 72.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Herbert Smith Freehills to draft updated executive service agreements.

Herbert Smith Freehills was paid \$4,864 for drafting of executive service agreements.

## DIRECTORS' REPORT

For the year ended 2015

### 9.3 Executive Remuneration

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

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

#### 9.3.1 Fixed Annual Remuneration (FAR)

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

#### 9.3.2 Executive Incentive Scheme (EIS)

<b>What is EIS?</b>	<p>EIS is an "at risk" component of executive remuneration.</p> <p>EIS is used to reward executives for achieving and exceeding annual individual KPIs.</p> <p>The target EIS opportunity for executives varies according to the role and responsibility of the executive.</p> <p>EIS awards comprise 50% cash and 50% deferred delivery stapled securities issued under the Executive Stapled Securities Scheme (ESSS). For executives not invited to participate in the ESSS, the EIS is paid fully in cash.</p>
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Executive	Position	Standard EIS Target (as a % of FAR)	% of EIS paid as cash	% of EIS paid as ESSS
Andrew Wilkinson	Managing Director	60%	50%	50%
Andrew Slade	Capital Manager	50%	50%	50%
Michael Clarke	Finance Manager	n/a <sup>1</sup>	50%	50%
Don Shipway	Asset Manager	n/a <sup>1</sup>	50%	50%

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

<b>How are EIS targets and objectives chosen?</b>	At the beginning of each year, in addition to the standard range of operational requirements, the Board sets a number of strategic objectives for ALE for that year. These objectives are dependent on the strategic opportunities and issues facing ALE for that year and may include objectives that relate to the short and longer term performance of ALE. Additionally, specific KPIs are established for all executives with reference to their individual responsibilities which link to the addition to and protection of securityholder value, improving business processes, ensuring compliance with legislative requirements, reducing risks within the business and ensuring compliance with risk management policies, as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.
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<b>How is EIS performance assessed?</b>	The Committee is responsible for assessing whether the KPIs have been met. To facilitate this assessment, the Board receives detailed reports on performance from management.
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The quantum of EIS payments and awards are directly linked to over or under achievement against the specific KPIs. The Board has due regard to the achievements outlined in section 9.4.

<b>How are EIS awards delivered?</b>	EIS cash payments are made in August each year following the signing of ALE's full year statutory financial statements.
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The deferred component comprises an award of stapled securities under the ESSS. Any securities awarded under the ESSS are delivered three years after the award date provided certain conditions have been met.

## DIRECTORS' REPORT

For the year ended 2015

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

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

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

### 9.3.3 Summary of Key Contract Terms

#### Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Brendan Howell
Position	Managing Director	Capital Manager	Finance Manager and Assistant Company Secretary	Asset Manager	Executive Director	Company Secretary and Compliance Officer
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$435,625	\$246,000	\$200,900	\$191,214	\$100,000	\$90,000
Notice by ALE	6 months	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

#### **Managing Director**

On 30 July 2014 Mr Wilkinson signed a new service agreement that commenced on 1 September 2014. The agreement stipulates the minimum base salary, inclusive of superannuation, as being \$425,000, to be reviewed annually each 31 December by the Board. An EIS, if earned, would be paid 50% as a cash bonus in August each year and 50% in stapled securities issued under the ESSS and delivered three years following each of the annual grant dates.

In the event of the termination of Andrew Wilkinson's service agreement and depending on the reason for the termination, amounts may be payable for unpaid accrued entitlements and a proportion of EIS entitlements as at the date of termination. If employment is terminated in circumstances of redundancy or without cause then he is entitled to an amount of fixed remuneration for six months. In addition he may receive a pro-rata EIS award for the period of employment in the year of redundancy.

**DIRECTORS' REPORT**

For the year ended 2015

**9.4 Executive Remuneration outcome for year ended 30 June 2015**

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 78.

**Executive Incentive Scheme Outcomes**

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

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2015.

It was the view of the Committee that most of the standard key performance indicators (KPIs) and most of the major items in the Board approved corporate strategy had been met. In particular the Committee noted:

Capital Matters

- ALE enjoyed the positive and material full year impacts of the refinancing and hedge restructure completed just before the commencement of the year, most notably the resulting annual interest expense saving of around \$7 million;
- ALE fully redeemed all outstanding ALE Notes 2 debt in September 2014 and thereby eliminated a debt expense at a comparatively high total cost of 7.83% including a 4.00% credit margin;
- ALE's investment grade credit rating of Baa2 (with stable outlook) was fully maintained;
- Management continued to explore a range of debt funding solutions in both the domestic and offshore capital markets with a view to positioning ALE for future debt refinancings and readiness to implement additional debt funding of any acquisitions; and
- Explored a range of other strategic initiatives with particular focus on value enhancement and risk mitigation.

Other matters

- Agreed and completed a rent restructure with ALH that is expected to deliver a lower risk profile for the capped and collared market rent reviews in 2018. The restructure delivers a value benefit for ALE's securityholders;
- Worked constructively with ALH to agree a range of developments that are value enhancing for a number of ALE properties.
- Undertook a comprehensive statutory valuation scoping exercise to ensure that the independent valuer was fully apprised of the key value drivers of each of the properties;
- Completed a comprehensive review of ALE's service providers with a view to ensuring cost savings were maximised and service levels enhanced;
- Explored a range of acquisition opportunities that accorded with ALE's strategic criteria;
- Worked closely with key equity analysts and investors to ensure that there was a clear understanding of both the quality and value prospects for ALE's properties and the simplified, low cost and long term capital structure;
- Worked on a number of strategic initiatives that were agreed at the beginning of the year and were either partially or fully completed by the end of the year; and
- Continued to deliver both short and long term total returns for securityholders that outperformed most if not all other AREITs in the sector.

The remuneration committee considered these achievements and compared them to key performance indicators for each executive that were set at the beginning of the financial year. Individual executives contributed to the valuable outcomes outlined above and this was recognised in the EIS payments made. All the EIS payments are included in the staff remuneration expenses in the current year.

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

Executive	Target EIS (as % of FAR)	EIS Awarded (as % of FAR)	EIS Awarded as a % of Target	EIS Awarded	Cash Component	ESSS Component
Andrew Wilkinson	60%	48.2%	80.3%	\$210,000	\$105,000	\$105,000
Andrew Slade	50%	40.7%	81.3%	\$100,000	\$50,000	\$50,000
Michael Clarke	n/a	19.9%	-	\$40,000	\$20,000	\$20,000
Don Shipway	n/a	15.7%	-	\$30,000	\$15,000	\$15,000

**DIRECTORS' REPORT**

For the year ended 2015

**ALE's Financial Performance History**

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

	FY11	FY12	FY13	FY14	FY15
Distributable profit (\$m)	31.3	26.7	31.7	31.2	29.1
Distribution per Security	19.75	16.00	16.00	16.45	16.85
Continuing property values (\$m) <sup>2</sup>	753.9	767.2	781.5	821.6	900.5
Net gearing <sup>1</sup>	51.7%	51.9%	50.8%	51.7%	47.9%

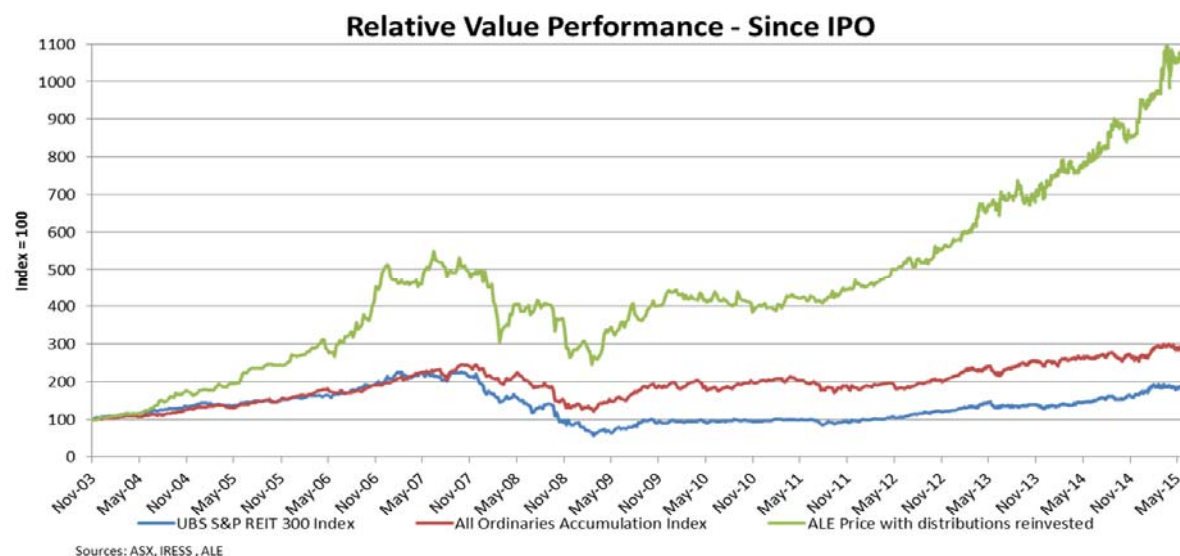
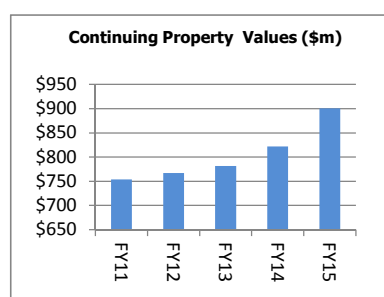
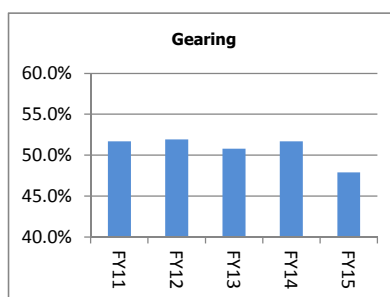
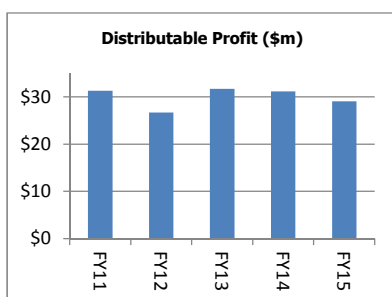
1. Total borrowings less cash as a percentage of total assets less cash and derivatives

2. Includes only the value of properties held as at 30 June 2015

The accumulated value of \$1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and current market value of securities as at 30 June 2015 totalled \$10.58.

According to UBS for the period ending 30 June 2015 ALE continued to out perform other equity return benchmarks including the AREIT 300 index and the All Ordinaries index for periods including three, five and ten years. For the one year period ALE's return of 33.4% outperformed the AREIT 300 index of 20.2% and All Ordinaries index of 5.7%.

Growth in the value of the continuing properties between ALE's 2003 IPO and 30 June 2014 has averaged 4.75% p.a. This has exceeded growth in CPI at 2.91% p.a



**Accumulated Value for: AREITs \$1.80, All Ords \$2.77, ALE \$10.58<sup>1</sup>**

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



**DIRECTORS' REPORT**

For the year ended 2015

**9.5 Disclosures relating to equity instruments granted as compensation**

**9.5.1 Outstanding equity instruments granted as compensation**

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of	Approximate Delivery Date	% vested in year	% forfeited in year
				Right at Grant Date (\$)			
<b>ESSS Rights</b>							
A F O Wilkinson	43,136	23 Aug 12	1 Jul 11	1.65	31 Jul 15	Nil	Nil
A F O Wilkinson	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A F O Wilkinson	63,732	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A J Slade	23,611	23 Aug 12	1 Jul 11	1.65	31 Jul 15	Nil	Nil
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A J Slade	31,375	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
M J Clarke	7,844	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
D J Shipway	3,922	30 Sep 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil

**9.5.2 Modification of terms of equity settled share based payment transactions**

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

**9.5.3 Analysis of movements in performance rights**

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

Executive	Granted in	Vested in	Lapsed in	Securities	Securities
	year \$ (a)	year \$ (b)	year \$ (c)	Delivered in the year \$	Delivered in the year (Number)
A J Slade	-	-	-	25,100	8,272

(a) The value of performance rights granted during the year is the assessed fair value at grant date of performance rights granted, allocated equally over the period from grant date to vesting date. The fair value at grant date has been independently determined by using a Black-Scholes option pricing model.

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

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

**9.5.4 Analysis of movements in ESSS rights**

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

Executive	Opening	Granted in	Stapled	Lapsed in	Closing	Securities
	Balance	Year	Securities Delivered in the Year	the Year	Balance	Delivered in the year - value paid \$
<b>By Value (\$)</b>						
A F O Wilkinson	150,290	162,500	-	-	312,790	-
A J Slade	132,264	80,000	(50,000)	-	162,264	104,899
M J Clarke	20,000	20,000	-	-	40,000	-
D J Shipway	20,000	10,000	-	-	30,000	-
<b>By Number</b>						
A F O Wilkinson	78,014	63,732	-	-	141,746	-
A J Slade	77,274	31,375	(34,571)	-	74,078	-
M J Clarke	8,825	7,844	-	-	16,669	-
D J Shipway	8,825	3,922	-	-	12,747	-

## DIRECTORS' REPORT

For the year ended 2015

### 9.6 Equity based compensation

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

The value of ESSS disclosed in section 9.5.4 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined on 13 August 2015.

### 9.7 Non-executive Directors' Remuneration

#### 9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the Company Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 6 November 2014 was \$650,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were reviewed by Godfrey Remuneration Group Pty Limited in the current financial year. The result of this review was that no changes to fees and payments were made. The Chairman's fees are determined independently from the fees of the other non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive any equity based payments, retirement benefits or other incentive payments.

#### 9.7.2 Remuneration Structure

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

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

	<b>Board</b>		<b>ACRMC</b>		<b>Remuneration Committee</b>	
	<b>Chairman*</b>	<b>Member</b>	<b>Chairman</b>	<b>Member</b>	<b>Chairman</b>	<b>Member</b>
Board and Committee Fees	\$175,000	\$85,000	\$15,000	\$10,000	\$15,000	\$5,000

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

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

Australian Leisure and Entertainment Property Management Limited

**DIRECTORS' REPORT**

For The Year Ended 30 June 2015

**9.8 Details of remuneration**

**Amount of remuneration**

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses were dependent on the satisfaction of performance conditions as set out in the section 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2014 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

**Table 1 Remuneration details 1 July 2014 to 30 June 2015**

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

Key management personnel		Short term			Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
Name	Role	Salary & Fees \$	STI Cash Bonus \$	Non monetary benefits \$	Total \$	Superannuation benefits \$	Other long term benefits \$	Termination benefits \$	ESSS \$	Total \$	\$	\$
P H Warne	Non-executive Director	159,817	-	-	159,817	15,183	-	-	-	175,000	-	-
J P Henderson	Non-executive Director	33,333	-	-	33,333	-	-	-	-	33,333	-	-
H I Wright	Non-executive Director	95,890	-	-	95,890	9,110	-	-	-	105,000	-	-
P J Downes	Non-executive Director	91,324	-	-	91,324	8,676	-	-	-	100,000	-	-
P G Say	Non-executive Director	75,000	-	-	75,000	-	-	-	-	75,000	-	-
N J Milne	Non-executive Director	36,530	-	-	36,530	3,470	-	-	-	40,000	-	-
B R Howell	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	399,993	105,000	-	504,993	30,761	6,213	-	105,000	646,967	32.5%	16.2%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	213,267	50,000	-	263,267	29,983	4,370	-	50,000	347,620	28.8%	14.4%
M J Clarke	Finance Manager	182,062	20,000	-	202,062	16,592	2,695	-	20,000	241,349	16.6%	8.3%
D J Shipway	Asset Manager	172,672	15,000	-	187,672	16,404	2,687	-	15,000	221,763	13.5%	6.8%
		1,649,888	190,000	-	1,839,888	130,179	15,965	-	190,000	2,176,032		

**Table 2 Remuneration details 1 July 2014 to 30 June 2015**

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

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

**DIRECTORS' REPORT**

For The Year Ended 30 June 2015

**10 Stapled securities under option**

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

**11 Stapled securities issued on the exercise of options**

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

**12 Insurance of officers**

During the financial year, the Company paid a premium of \$54,544 (2014: \$61,276) to insure the Directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

**13 Environmental regulation**

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

**14 Non-audit services**

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

The Board of Directors has considered the position and in accordance with the advice received from the ACRMC is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. During the current and previous financial years, no non-audit services were performed by the auditors.

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

	30 June 2015	30 June 2014
	\$	\$
<b>Audit services</b>		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the ALE Property Group and other audit work required under the <i>Corporations Act 2001</i>		
• in relation to current year	160,000	201,000
• in relation to prior year	5,000	-
<b>Total remuneration for audit services</b>	<b>165,000</b>	<b>201,000</b>

**15 Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 83.

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



Peter H Warne  
Director  
Sydney

Dated this 5<sup>th</sup> day of August 2015



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

KPMG

John Teer  
Partner

Sydney

5 August 2015

Australian Leisure and Entertainment Property Management Limited

**STATEMENT OF COMPREHENSIVE INCOME**

For The Year Ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Revenue</b>			
Expense reimbursement	5	4,013,868	3,843,332
Interest income		12,664	93,199
<b>Total revenue</b>		<b>4,026,532</b>	<b>3,936,531</b>
<b>Expenses</b>			
Annual Report and Annual Review		96,358	113,570
Audit, accounting, tax and professional fees		193,300	213,334
Depreciation expense and asset write-offs		13,257	16,987
Insurance		177,910	176,801
Legal fees		217,988	65,480
Occupancy costs		123,902	120,086
Corporate and other expenses		480,830	611,820
Registry fees		125,705	147,382
Salaries, fees and related costs		2,508,417	2,490,680
Staff training		22,532	20,488
Travel and accommodation		113,670	82,308
<b>Total expenses</b>		<b>4,073,869</b>	<b>4,058,936</b>
<b>Profit/(loss) before income tax</b>		<b>(47,337)</b>	<b>(122,405)</b>
Income tax expense / (benefit)	7	(74,675)	16,576
		<b>27,338</b>	<b>(138,981)</b>
<b>Profit/(loss) attributable to the shareholders of the Company</b>		<b>27,338</b>	<b>(138,981)</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year after income tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b>27,338</b>	<b>(138,981)</b>
<b>Profit/(Loss) attributable to:</b>			
Equity holders of the Company		27,338	(138,981)
Minority interest		-	-
<b>Total profit/(loss) for the period</b>		<b>27,338</b>	<b>(138,981)</b>
<b>Comprehensive income attributable to:</b>			
Equity holders of the Company		27,338	(138,981)
Minority interest		-	-
<b>Total comprehensive income for the year</b>		<b>27,338</b>	<b>(138,981)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(loss) per share		0.01	(0.07)
Dividends paid and payable per share		-	-

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

Australian Leisure and Entertainment Property Management Limited

**STATEMENT OF FINANCIAL POSITION**

For The Year Ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Current assets</b>			
Cash and cash equivalents	8	2,519,881	2,391,383
Receivables	9	3,316,234	3,246,458
Prepayments and other assets		218,461	248,824
<b>Total current assets</b>		<b>6,054,576</b>	<b>5,886,665</b>
<b>Non-current assets</b>			
Plant and equipment		17,582	30,838
Investment in related party	10	9,080,010	9,080,010
Deferred tax asset	11	47,873	41,377
<b>Total non-current assets</b>		<b>9,145,465</b>	<b>9,152,225</b>
<b>Total assets</b>		<b>15,200,041</b>	<b>15,038,890</b>
<b>Current liabilities</b>			
Payables	12	590,962	535,974
Provisions	13	145,203	126,378
<b>Total current liabilities</b>		<b>736,165</b>	<b>662,352</b>
<b>Total liabilities</b>		<b>736,165</b>	<b>662,352</b>
<b>Net assets</b>		<b>14,463,876</b>	<b>14,376,538</b>
<b>Equity</b>			
Contributed equity	14	14,759,025	14,759,025
Accumulated losses	15	(1,030,203)	(986,904)
Reserves	16	735,054	604,417
<b>Total equity</b>		<b>14,463,876</b>	<b>14,376,538</b>
		<b>Cents</b>	<b>Cents</b>
Net assets per share		<b>7.39</b>	<b>7.35</b>

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

Australian Leisure and Entertainment Property Management Limited

**STATEMENT OF CHANGES IN EQUITY**

For The Year Ended 30 June 2015

	Share Capital \$	Share based payments reserve \$	Retained Earnings \$	Total \$
<b>2015</b>				
<b>Total equity at the beginning of the year</b>	<b>14,759,025</b>	<b>604,417</b>	<b>(986,904)</b>	<b>14,376,538</b>
Total comprehensive income for the period				
Profit/(loss) for the year	-	-	27,338	27,338
Other comprehensive income	-	-		
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>27,338</b>	<b>27,338</b>
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Purchase of securities to satisfy units required for Executive Performance Rights Plan	-	(59,363)	(70,637)	(130,000)
Shares issued - dividend reinvestment plan	-	-	-	-
Employee share based payments expense	-	190,000	-	190,000
<b>Total equity at the end of the year</b>	<b>14,759,025</b>	<b>735,054</b>	<b>(1,030,203)</b>	<b>14,463,876</b>
<b>2014</b>				
<b>Total equity at the beginning of the year</b>	<b>14,606,975</b>	<b>382,672</b>	<b>(766,975)</b>	<b>14,222,672</b>
Total comprehensive income for the period				
Profit/(loss) for the year	-	-	(138,981)	(138,981)
Other comprehensive income	-	-		
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(138,981)</b>	<b>(138,981)</b>
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Purchase of securities to satisfy units required for Executive Performance Rights Plan		(50,755)	(80,948)	(131,703)
Shares issued - dividend reinvestment plan	152,050	-	-	152,050
Employee share based payments expense	-	272,500	-	272,500
<b>Total equity at the end of the year</b>	<b>14,759,025</b>	<b>604,417</b>	<b>(986,904)</b>	<b>14,376,538</b>

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



**Australian Leisure and Entertainment Property Management Limited**

**STATEMENT OF CASH FLOWS**

For The Year Ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Cash flows from operating activities</b>			
Management fee received and expense reimbursements		5,686,428	6,022,182
Payments to suppliers and employees		(5,656,752)	(6,154,481)
Interest received - bank deposits and investment arrangements		98,822	75,150
<b>Net cash inflow/(outflow) from operating activities</b>	8	<b>128,498</b>	<b>(57,149)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		-	(6,146)
<b>Net cash (outflow) from investing activities</b>		<b>-</b>	<b>(6,146)</b>
<b>Cash flows from financing activities</b>			
Shares issued		-	-
<b>Net cash (outflow) from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>128,498</b>	<b>(63,295)</b>
Cash and cash equivalents at the beginning of the year		2,391,383	2,454,678
<b>Cash and cash equivalents at the end of the year</b>	8	<b>2,519,881</b>	<b>2,391,383</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

### **Note 1 Basis of preparation**

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#### *(a) Statement of compliance*

Australian Leisure and Entertainment Property Management Limited (the Company) is domiciled in Australia. The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements also comply with the IFRS and interpretations adopted by the International Accounting Standards Board.

The stapled securities of ALE are quoted on the Australian Stock Exchange under the code LEP and comprise one unit in Australian Leisure and Entertainment Property Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and can not be traded separately. Each entity forming part of ALE is a separate legal entity in its own right under the *Corporations Act 2001* and Australian Accounting Standards.

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

The financial statements were authorised for issue by the Board of Directors on 4<sup>th</sup> August 2015.

#### *(b) Basis of measurement*

The financial statements are prepared on the historical cost basis.

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

#### *(c) Functional and presentation currency*

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

#### *(d) Use of estimates and judgements*

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

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

- Note 21 - measurement of share based payments

### **Note 2 Summary of significant accounting policies**

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The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### **(a) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash at bank, deposits at call and short term money market securities which are readily convertible to cash.

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

### **Note 2 Summary of significant accounting policies (continued)**

#### **(b) Receivables**

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that all amounts due may not be collected according to the original terms of the receivables. The amount of any provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

#### **(c) Investments and financial assets**

Financial assets classified as loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise when money and services are provided to a debtor with no intention of selling the receivable.

Loans and deposits are carried at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial asset are spread over its effective life.

#### **(d) Trade and other payables**

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

#### **(e) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

#### **(f) Dividends**

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

#### **(g) Earnings per share**

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares outstanding during the reporting period.

##### *(ii) Diluted earnings per share*

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

#### **(h) Contributed equity**

Ordinary shares are classified as contributed equity.

Incremental costs directly attributable to the issue of new units, shares or options are shown in Contributed Equity as a deduction, net of tax, from the proceeds.

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

### **Note 2 Summary of significant accounting policies (continued)**

#### **(i) Employee benefits**

##### *(i) Wages and salaries, annual leave and sick leave*

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

##### *(ii) Share based payments*

##### Executive Stapled Security Scheme Rights (ESSS)

The grant date fair value of ESSS rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the performance rights. The amount recognised as an expense is adjusted to reflect the actual number of ESSS rights that vest.

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

##### *(iii) Bonus plans*

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

##### *(iv) Long service leave*

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

##### *(v) Retirement benefit obligations*

The Company pays fixed contributions to employee superannuation funds and the Company's legal or constructive obligations are limited to these contributions. The contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **(j) Revenue**

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

#### **(k) Interest income**

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

#### **(l) Expenses**

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2015

### Note 2 Summary of significant accounting policies (continued)

#### (m) Income tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in Equity.

#### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable, to the taxation authority are presented as operating cash flow.

#### (o) New accounting standards and UIG interpretation

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Group does not plan to adopt these standards early.

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, AIS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The company is assessing the potential impact on its financial statements from the application of IFRS 15.

### Note 3 Determination of fair values

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

#### Receivables

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

### **Note 4 Financial risk management**

#### **Overview**

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

#### **Credit risk**

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

#### **Trade and other receivables**

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

#### **Liquidity risk**

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

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

#### **Market risk**

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

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

#### **Interest rate risk**

The Company adopts a policy of ensuring that all exposure to changes in interest rates on borrowings is hedged. This is achieved by entering into interest rate swaps to fix the interest rates. At present the Company has no borrowings outstanding.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

	30 June 2015 \$	30 June 2014 \$
<b>Note 5 Expense reimbursements</b>		
Reimbursement of expenses for managing the Head Trust and controlled entities	<b>4,013,868</b>	3,843,332
Fees are charged to the Trust and its controlled entities by the Company for reimbursement of expenses incurred in the management of the trust and responsible entity services.		
Expense reimbursement receipts of \$5,686,428 (2014: \$6,022,182) disclosed in the statement of cash flows is comprised predominantly of expenses paid for by the Company on behalf of the Trust and other ALE group entities and subsequently reimbursed from the entities. The legal obligations for these expenses are the responsibility of the individual ALE group entities and are not expenses of the Company.		
<b>Note 6 Auditors' remuneration</b>		
<b>Audit services</b>		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports of the ALE Property Group and other audit work under the <i>Corporations Act 2001</i>		
- in relation to current year	160,000	180,500
- in relation to prior year	5,000	8,500
<b>Total remuneration for audit services</b>	<b>165,000</b>	189,000
<b>Note 7 Income tax expense/(benefit)</b>		
Current tax expense/(benefit)	(68,179)	3,550
Deferred tax expense	(6,496)	13,026
Income tax expense/(benefit)	<b>(74,675)</b>	16,576
Decrease/(increase) in deferred tax asset	(6,496)	13,026
	<b>(6,496)</b>	13,026
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax expense	(47,337)	(122,405)
Tax at the Australian tax rate of 30% (2014: 30%)	(14,201)	(36,722)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	18,000	42,239
Non deductible expenses	70	7,368
Under/(over) provision in prior years	(78,544)	3,691
<b>Income tax expense/(benefit)</b>	<b>(74,675)</b>	16,576

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>
<b>Note 8 Cash and cash equivalents</b>		
Cash at bank (a)	430,461	206,919
Deposits at call (b)	2,089,420	2,184,464
	<b>2,519,881</b>	<b>2,391,383</b>
(a) As at 30 June 2015 the weighted average interest rate earned on cash was 2.64% (2014: 3.64%).		
(b) The deposits represent office occupancy security deposits.		
<i>Reconciliation of profit after income tax to net cash inflows from operating activities</i>		
Profit/(loss) for the year	27,338	(138,981)
Depreciation	13,257	16,987
Non-cash employee benefits expense - share based payments	190,000	272,500
Share based payment securities purchased	(130,000)	(131,703)
(Increase)/decrease in receivables	(111,403)	20,042
(Increase)/decrease in other assets	30,363	(49,166)
(Increase)/decrease in deferred tax asset	(6,496)	13,026
Increase/(decrease) in loan from related party	41,627	(153,864)
Increase/(decrease) in provisions	18,825	25,313
Increase/(decrease) in payables	54,987	68,697
<b>Net cash inflows from operating activities</b>	<b>128,498</b>	<b>(57,149)</b>
<b>Note 9 Receivables</b>		
Accounts receivable	77,366	15,282
Loan to related party	3,165,425	3,207,052
Other receivable	68,179	-
Interest receivable	5,264	24,124
	<b>3,316,234</b>	<b>3,246,458</b>
<b>Note 10 Investment in related party</b>		
Trust Non-Income Voting Units (NIVUS)	<b>9,080,010</b>	9,080,010
The Company was issued 9,080,010 of non-income voting units (NIVUS) in the Trust fully paid at \$1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of \$1.00, carry no rights to income from the Trust and entitle the holder to no more than \$1.00 per NIVUS upon the winding-up of the Trust. The Company has a voting power of 4.43% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company but are not disclosed in the ALE Property Group financial statements as they are eliminated on consolidation.		



**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>
<b>Note 11 Deferred tax asset</b>		
<b>Deferred tax assets</b>	<b>47,873</b>	41,377
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in statement of comprehensive income</i>		
Employee benefits	43,903	38,256
Acquisition proposal due diligence	-	918
Accruals	5,550	(660)
Other	(1,580)	(7,235)
Tax losses	-	10,098
<b>Net deferred tax assets</b>	<b>47,873</b>	41,377
<b>Movements:</b>		
Opening balance	41,377	54,403
Credited/(charged) to the statement of comprehensive income (Note 7)	6,496	(13,026)
<b>Closing balance at</b>	<b>47,873</b>	41,377
Deferred tax assets to be recovered within 12 months	47,873	31,279
Deferred tax assets to be recovered after more than 12 months	-	10,098
	<b>47,873</b>	41,377
<b>Note 12 Payables</b>		
Trade creditors	431,734	232,418
Creditor accruals	159,228	303,556
	<b>590,962</b>	535,974
<b>Note 13 Provisions</b>		
Provision for employee entitlements	145,203	126,378
	<b>145,203</b>	126,378
<b>Note 14 Contributed equity</b>		
<b>(a) Share capital</b>		
Issued share capital	<b>14,759,025</b>	14,759,025
<b>(b) Movements in ordinary share capital</b>		
Opening balance	14,759,025	14,606,975
Shares issued - Dividend Reinvestment Plan	-	152,050
<b>Balance at the end of the period</b>	<b>14,759,025</b>	14,759,025

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Shares on issue		
Opening balance	195,702,333	194,238,078
Shares issued - Dividend Reinvestment Plan	-	1,464,255
<b>Closing balance</b>	<b>195,702,333</b>	195,702,333

**(c) Shares**

Fully paid stapled securities in the Company were issued at \$1.00 per stapled security. Each stapled security comprises one \$0.10 share in the Company and one \$0.90 unit in the Trust. They cannot be traded or dealt with separately. Stapled securities entitle the holder to participate in dividends/distributions and the proceeds on any winding up of the Company in proportion to the number of and amounts paid on the securities held. On a show of hands, every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote. On a Company poll, each ordinary shareholder is entitled to one vote for each fully paid share, and on a Trust poll each unitholder is entitled to one vote for each fully paid unit.

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>
<b>Note 15 Accumulated losses</b>		
<b>Retained losses</b>	<b>(1,030,203)</b>	(986,904)
Balance at the beginning of the year	(986,904)	(766,975)
Net profit/(loss) attributable to ordinary shareholders	27,338	(138,981)
Transfer from/(to) share based payments reserve	(70,637)	(80,948)
<b>Balance at the end of the year</b>	<b>(1,030,203)</b>	(986,904)
<b>Note 16 Reserves</b>		
<b>Share-based payments reserve</b>	<b>735,054</b>	604,417
Balance at the beginning of the year	604,417	382,672
Employee share based payments expense	190,000	272,500
Transfer to/(from) Retained Profits	(59,363)	(50,755)
<b>Balance at the end of the year</b>	<b>735,054</b>	604,417

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

**30 June**  
**2015**  
\$

**30 June**  
**2014**  
\$

**Note 17 Segment information**

***Business segment***

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

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

The Company received 100% of its expense reimbursement from the Head Trust (2014: 100%).

***Geographical segment***

The Company operates solely within Australia.

**Note 18 Events occurring after reporting date**

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

**Note 19 Contingent liabilities**

**Bank guarantee**

The Company has entered into a bank guarantee of \$89,480 in respect of an office tenancy at Level 10, 6 O'Connell Street, Sydney.

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

**Note 20 Commitments**

**(a) Capital commitments**

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

**(b) Lease commitments**

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

	<b>30 June</b> <b>2015</b> \$	<b>30 June</b> <b>2014</b> \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are		
Within one year	45,695	123,173
Later than one year but not later than five years	-	45,695
Later than five years	-	-
	<b>45,695</b>	<b>168,868</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

**30 June**  
**2015**  
**\$**

**30 June**  
**2014**  
**\$**

**Note 21 Share based payments**

During 2007, ALE established a Performance Rights Plan that entitles key management personnel, subject to performance, to become entitled to acquire stapled securities at nil cost to the employee. Under the Performance Rights Plan grants of performance rights have been made to Mr Wilkinson and Mr Slade. In accordance with the plan the performance rights vest upon performance hurdles being achieved. The Performance Rights Plan was terminated in 2012 and replaced with an Executive Stapled Securities Scheme. During the year all outstanding performance rights outstanding vested and were issued.

Performance Rights Plan

The terms and conditions of outstanding grants are as follows:

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

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

	<b>Number of performance rights 2015</b>	<b>Weighted average fair value 2015</b>	<b>Number of performance rights 2014</b>	<b>Weighted average fair value 2014</b>
Outstanding at 1 July	8,272	1.05	56,990	1.05
Issued/delivered during year	(8,272)	1.05	(48,718)	1.27
Outstanding at 30 June	-	-	8,272	1.05

During the year 8,272 stapled securities were delivered to Mr Slade upon expiry of the two year delayed delivery period applicable to the vested rights.

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

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

**30 June  
2015  
\$**                      **30 June  
2014  
\$**

**Note 21 Share based payments (continued)**

For the year ended 30 June 2014 the following ESSS Rights were awarded. The number of Stapled Securities awarded was determined by dividing the value of the 2014 grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's 2014 full year statutory financial statements.

	<b>2014 Number</b>	<b>2013 Number</b>
Mr A F O Wilkinson	63,732	34,878
Mr A J Slade	31,375	19,092
Mr M J Clarke	7,844	8,825
Mr D J Shipway	3,922	8,825

For the year ended 30 June 2015 the following ESSS Rights were granted to executives under the ESSS. The number of Stapled Securities awarded will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements for the year. The number of securities granted for the current year grants will be determined on 13 August 2015.

	<b>2015 \$</b>	<b>2014 \$</b>
Mr A F O Wilkinson	105,000	162,500
Mr A J Slade	50,000	80,000
Mr M J Clarke	20,000	20,000
Mr D J Shipway	15,000	10,000

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

	<b>Number ESSS rights 2015</b>	<b>Weighted average fair value 2015</b>	<b>Number of ESSS rights 2014</b>	<b>Weighted average fair value 2014</b>
Outstanding at 1 July	172,938	1.87	101,318	1.58
Granted during year	106,873	2.55	71,620	2.22
Vested during year	(34,571)	1.45	-	-
Lapsed during year	-	-	-	-
<b>Outstanding at 30 June</b>	<b>245,240</b>	<b>2.22</b>	<b>172,938</b>	<b>1.87</b>

**Note 22 Related party transactions**

**(a) Parent entity, subsidiaries, joint ventures and associates**

The Company has no parent entity, subsidiaries, joint ventures or associates.

**(b) Key management personnel**

Key management personnel and their compensation is set out in Note 23.

**(c) Transaction with related parties**

For the year ended 30 June 2015 the Company had charged the Trust \$4,013,868 in expense reimbursement (2014: \$3,843,332).

Peter Warne is a Non-Executive director of Macquarie Group Limited ("Macquarie"). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services and corporate advice provided by Macquarie to ALE.

**(d) Terms and conditions**

All related party transactions are conducted on normal commercial terms and conditions. Outstanding balances are unsecured and are repayable in cash and callable on demand.

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

**Note 23 Key management personnel**

**(a) Directors**

The following persons were Directors of the Company during the financial year:

<b>Name</b>	<b>Type</b>	<b>Appointed</b>	<b>Resigned</b>
P H Warne (Chairman)	Independent non-executive	8 September 2003	
J P Henderson	Independent non-executive	19 August 2003	6 November 2014
H I Wright	Independent non-executive	8 September 2003	
P J Downes	Independent non-executive	26 November 2013	
P G Say	Independent non-executive	24 September 2014	
N J Milne	Independent non-executive	6 February 2015	
A F O Wilkinson (Managing Director)	Executive	16 November 2004	
J T McNally	Executive	26 June 2003	

**(b) Other key management personnel**

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

<b>Name</b>	<b>Title</b>
A J Slade	Capital Manager
B R Howell	Company Secretary and Compliance Officer
M J Clarke	Finance Manager and Assistant Company Secretary
D J Shipway	Asset Manager

**(c) Compensation for key management personnel**

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

	<b>30 June 2015 \$</b>	<b>30 June 2014 \$</b>
Short term employee benefits	1,839,888	1,818,454
Post employment benefits	130,179	98,461
Other long term benefits	15,965	47,726
Share based payments	190,000	272,500
<b>Total</b>	<b>2,176,032</b>	<b>2,237,141</b>
<b>Share based payments expense in the year</b>		
ESSS rights granted in 2015	190,000	-
ESSS rights granted in 2014	-	272,500
<b>Total</b>	<b>190,000</b>	<b>272,500</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

	<b>30 June 2015 cents</b>	<b>30 June 2014 cents</b>
<b>Note 24 Earnings per share</b>		
<b>(a) Basic earnings per share</b>		
<i>Attributable to equity holders of the Company</i>		
Basic and diluted earnings per equity holders of the Company	0.01	(0.07)
<i>Attributable to securityholders of the stapled entity</i>		
Basic and diluted earnings per stapled security before financing costs attributable to the Company securityholders divided by the average number of securities	0.01	(0.07)
Basic and diluted earnings per stapled security using realised operating income	0.01	(0.07)
	<b>Number 2015</b>	<b>Number 2014</b>
<b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used as the denominator in calculating earnings per share	195,702,333	195,437,564
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	195,702,333	195,437,564

**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended 30 June 2015

**Note 25 Financial Instruments**

**(a) Credit risk**

ALE's major credit risk is the risk that the tenant will fail to perform its contractual obligations including honouring the terms of the lease agreements either in whole or in part. Credit risk has been minimised primarily by ensuring, on a continuous basis, that the tenant has appropriate financial standing.

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

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

*Exposure to credit risk*

	<b>2015</b>	<b>2014</b>
	\$	\$
Receivables	150,809	39,406
Cash and cash equivalents	2,519,881	2,391,383
	<b>2,670,690</b>	<b>2,430,789</b>

*Impairment losses*

	<b>2015</b>		<b>2014</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>Receivables</b>		<b>Receivables</b>	
	\$	\$	\$	\$
Not past due	125,067	-	39,406	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	7,092	-	-	-
Past due 120-365 days	18,650	-	-	-
More than one year	-	-	-	-
	<b>150,809</b>	<b>-</b>	<b>39,406</b>	<b>-</b>

**(b) Liquidity Risk**

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

**(c) Interest rate risk**

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



Australian Leisure and Entertainment Property Management Limited

**DIRECTORS' DECLARATION**

For The Year Ended 30 June 2015

**Directors' declaration**

In the Directors' opinion:

- (a) the financial statements and notes that are set out on pages 84 to 102 and the remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that ALE will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2015.
- (d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Peter H Warne  
Director  
Sydney

Dated this 5<sup>th</sup> Day of August 2015



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

### **Report on the financial report**

We have audited the accompanying financial report of Australian Leisure and Entertainment Property Management Limited (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

#### *Independence*

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



*Auditor's opinion*

In our opinion:

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

**Report on the remuneration report**

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer  
*Partner*

Sydney

5 August 2015



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YEAR IN REVIEW

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