



welcome

welcome
we welcome you
to ALE Property
Group's first
Annual Report



Pelican Waters Hotel, Qld
(also featured on cover)



Breakfast Creek Hotel, Qld



New Brighton Hotel, NSW

contents profile of ALE 1 our results 2 our key attributes 4 our objectives 6 our relationship with ALH 8
chairman's message 9 CEO's review – our quality portfolio 10 our board 18 corporate governance 19 financials 21
corporate directory **inside back cover**

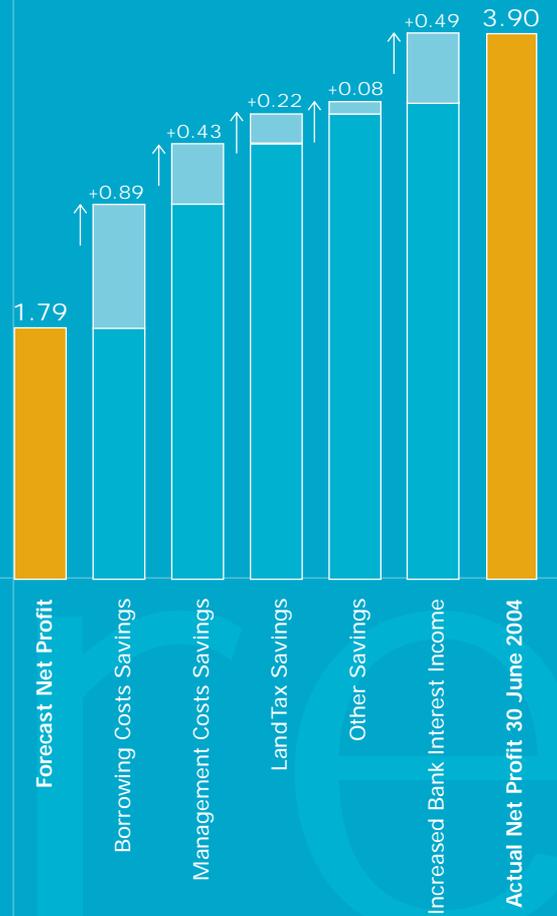
ALE Property Group

ALE Property Group has been established as part of the divestment by Foster's Group Limited of its hotel operations business. ALE Property Group has acquired a portfolio of pubs located throughout the five mainland States of Australia.

Each pub in the portfolio is leased to Australian Leisure & Hospitality Group Limited (ALH) for an initial term of 25 years with four 10-year options to renew. Under the leases, ALH is responsible for all of the regular outgoings, including insurance, maintenance and repairs.

welcome
we have a solid
and stable
business which
has exceeded
prospectus
forecasts

Net Profit Change for June 2004 (\$m)



highlights of our strong results

- Net Profit **\$3.90m** versus \$1.79m prospectus forecast
- Earnings before amortisation up **33.2%** to **\$7.97m**
- Distribution increased from 6.6 cents to **7.5 cents** per stapled security
- Portfolio revalued to **\$576.66m** (as at 30 June 2004), **7.6%** above the November 2003 purchase price
- Net Assets per stapled security up **41%** from \$1.00 to **\$1.41**

SUITTS

welcome
we have unique
characteristics

fea

some of our key attributes

- Our portfolio comprises **105** pub properties across **5** Australian states
- All of our properties are leased to ALH for **25 years** with options out to 65 years
- We are the **largest** freehold owner of licensed premises in Australia
- Distributions are expected to be **100%** tax deferred until 2006
- Our borrowings are fully hedged to **2008**
- We were the **first** stock exchange listed pub trust in Australia

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welcome
we aim to grow
our quality
portfolio to
build security
holder value

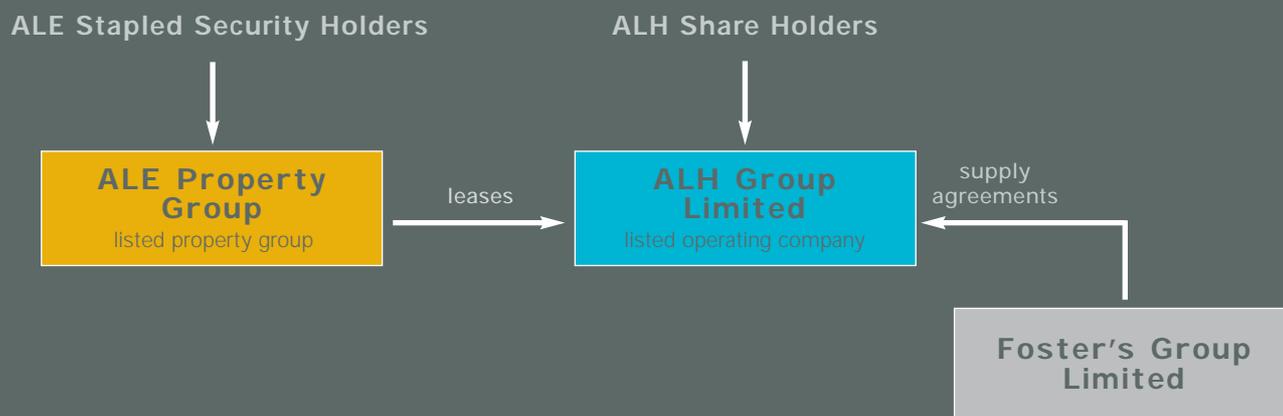
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our main objectives

- To provide our stapled security holders with a secure and growing distribution
- To preserve the quality of the property portfolio and the security of the existing lease covenant
- To make acquisitions of quality property with secure lease income that provides an attractive yield

ctives

welcome we have a unique relationship with ALH, our sole tenant



ALE Property Group (ALE) and Australian Leisure & Hospitality Group Limited (ALH) were formed through the divestment by Foster's Group Limited (Fosters) of its hotel operations business.

In November 2003, ALE purchased from Fosters 98 pubs and entered into conditional contracts to acquire seven pubs under development. Three of those pubs have since been completed, with freehold title being transferred to ALE. Fosters has an obligation to complete all redevelopments underway at the time of the sale, but otherwise retains no operational relationship with ALE.

ALH is ALE's tenant and is responsible for operations. Subject to ALE's right of approval, ALH has the exclusive right to develop ALE properties and to retain the proceeds from those developments. ALH has an ongoing supply agreement with Fosters.

On behalf of your Board, it is my pleasure to report on the performance of ALE Property Group (ALE) since the listing on 12 November 2003 through to 30 June 2004.

The first eight months have been profitable for ALE. We exceeded all PDS/Prospectus (PDS) forecasts, and achieved a net profit of \$3.9 million, which is \$2.1 million higher than anticipated.

This performance has allowed us to increase our profit before amortisation to \$7.97 million and our distribution to \$6.81 million or 7.5 cents per security. The increased distribution takes into account the positive results which are expected to be sustained into the future.

ALE has a quality portfolio of 105 pubs that includes icon hotels such as the The Young and Jackson, Sail and Anchor and the Breakfast Creek Hotel. We have one tenant, Australian Leisure Hospitality Group (ALH), and enjoy 100% occupancy and 25-year leases. Whilst ALE is the owner of the properties, our tenant is responsible for operations and for payment of all regular outgoings except Queensland land tax.

The quality of the business and secure income flow has allowed us to structure an innovative funding arrangement. The support shown by investors for ALE's Initial Public Offer (IPO) and debt raising was very pleasing with both the equity and the debt offerings oversubscribed. We have continued to enjoy ongoing positive performance in the price of both the stapled securities and the ALE Notes, with the ALE stapled security price consistently outperforming all ASX/S&P Property Indexes since listing.

ALE has built a small but strong executive team with Andrew Wilkinson as CEO. Andrew was previously a corporate finance partner with PricewaterhouseCoopers where he specialised in providing financial and strategic advice on significant property and infrastructure projects. Andrew is supported by Darren Barkas as Property Trust Manager, Brendan Howell as Company Secretary and Compliance Officer and Lori Hamilton-Barrett as Executive Assistant.

The Board is pleased with what has been achieved in its first eight months of operation. The management team has, amongst other achievements, established management processes, developed relationships with a number of key external parties and raised the profile of ALE in the financial markets. We commend the management team on their performance to date.

It has been a priority of the Board to develop Corporate Governance Guidelines for the business. We have established an Audit, Compliance and Risk Management Committee and developed guidelines for Board practice and Group reporting. Further information on Corporate Governance appears later in this report and can also be found on the ALE internet site at www.alegroup.com.au

We continue to consciously observe the developments of the Bruandwo Pty Limited takeover offer for our tenant ALH. Whilst our agreements with ALH remain on foot in the event of such a takeover, we will continue to keep you updated.

ALE expects continued solid performance. Our hedged interest rates and long term leases allow us to enjoy strong returns even in an environment of rising interest rates and any property sector uncertainty. We currently anticipate that distributions for the next two years will continue to be higher than those forecast in the PDS.

On behalf of my fellow Directors, I thank you for your support of ALE.



Chairman



chairman's message

management team

Andrew Wilkinson Chief Executive Officer

Andrew has 25 years experience in banking and corporate finance. Previously a corporate finance partner with PricewaterhouseCoopers, Andrew specialised in providing financial and strategic advice on significant property and infrastructure projects and was one of the founding members of NSW Government's Infrastructure Council.

Andrew's career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders where he was involved in leading the financing arrangements for a range of major projects.

Andrew has a Bachelor of Business degree from the University of Technology, Sydney.

Darren Barkas Property Trust Manager

Darren has 18 years of accounting, taxation and financial management experience and joined ALE from the property finance division of AMP Capital Investors. During his seven years at AMP, Darren was responsible for a range of accounting, financial reporting, taxation and general financial management functions in roles that covered a number of AMP's listed and unlisted property trusts.

Darren has a Bachelor of Commerce degree from the University of Wollongong, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and is a Certified Practising Accountant (CPA).

Brendan Howell Company Secretary

Brendan has 14 years experience in the funds management industry. Brendan has a property and accounting background and has held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For the past six 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 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.



ANDREW WILKINSON



DARREN BARKAS



BRENDAN HOWELL

Blacktown Inn Hotel

80 Blacktown Road, Blacktown, NSW

Brown Jug Hotel

47 Stanbrook Parade, Fairfield, NSW

Colyton Hotel

12 Great Western Highway, St Mary's, NSW

Crows Nest Hotel

1 – 3 Willoughby Road, Crows Nest, NSW

Kirribilli Hotel

37 Broughton Street, Milson's Point, NSW

Melton Hotel

163 Parramatta Road, Auburn, NSW

Narrabeen Sands

1260 Pittwater Road, Narrabeen, NSW

New Brighton Hotel

71 The Corso, Manly, NSW

Parkway Hotel

5 Frenchs Forest Road, Frenchs Forest, NSW

Pioneer Tavern

Cnr Maxwell Street and The Northern Road, Penrith, NSW

Pymble Hotel

1134 Pacific Highway, Pymble, NSW

Smithfield Hotel

671 The Horsley Drive, Smithfield, NSW

Albany Creek Tavern

Cnr Old Northern and Albany Creek Roads, Albany Creek, Qld

Albion Hotel

300 Sandgate Road, Albion, Qld

Alderley Arms Hotel

2 Samford Road, Alderley, Qld

Anglers Arms Hotel

50 Queens Street Southport, Qld

Balaclava Hotel

423 Mulgrove Road, Cairns (Earlville), Qld

Breakfast Creek Hotel

2 Kingsford Smith Drive, Breakfast Creek, Qld

Burleigh Heads Hotel

4 The Esplanade, Burleigh Heads, Qld

Caloundra Hotel

12 Bulcock Street, Caloundra, Qld

Camp Hill Hotel

724 Old Cleveland Road, Camp Hill, Qld

Chardons Comer Hotel

688 Ipswich Road, Annerly, Qld

Dalrymple Hotel

310 Bayswater Road, Garbutt, Qld

Edge Hill Tavern (formerly the Newmarket Hotel)

145 – 147 Pease Street, Manoora, Cairns, Qld

Edinburgh Castle Hotel

421 Gympie Road, Kedron, Qld

Ferry Grove Tavern

1348 Samford Road, Ferry Grove, Qld

I am pleased to report to you on ALE's first eight months of operation. During this time we have implemented organisational systems and procedures, formed a management team and developed a strong working relationship with our tenant ALH. Through all of this we have remained focussed on maximising returns for our stapled security holders and I am delighted to report a net profit of \$3.9 million, substantially higher than forecast in the PDS issued at the time of the IPO.

DRIVING OUR PROFIT PERFORMANCE

Our operational focus will continue to be the enhancement of security holder value through the improvement in both the quantum and quality of earnings and minimisation of our expenses. In the period to 30 June 2004, this has been achieved in the following key areas:

- **Interest expense** – Our fully hedged weighted average interest rate established at IPO was 6.524% which was below the lower end of the indicative range in the PDS. Interest and other fee savings have a positive impact on distributable earnings over the period to November 2008 of around \$1.2 million per year. Management will continue to work to identify opportunities where interest hedging and savings may be achieved beyond 2008.

- **Interest income** – efficient budgeting and cash management procedures have been applied to deliver a material amount above the PDS forecast of interest income. Throughout the period, between \$8 million and \$18 million of free cash was held on term deposit to provide ALE with liquidity and to support modest acquisition opportunities.
- **Management costs** – our approach has been to establish a management team with a focus on the core activities of our business. This is supplemented, as required, with external advisory and contracting capabilities. As a result, our management costs are 23% below the PDS forecast. Our management expenses as a percentage of assets are 0.5%, well below the 0.7% average for the Australian listed property trust sector.
- **Land tax** – our land tax expense was 29% below the PDS forecast. Seven of our properties were still in development during the first eight months and as a result the commencement of our land tax expenses on these properties was delayed.

The above initiatives provided the material elements of the \$2.1 million net profit improvement over and above that forecast in the PDS.

While the interest savings are expected to be sustainable over the next four years, the extent of the other cost savings will be determined over time as the trust grows beyond its existing portfolio.

CEO's report



Albany Creek Tavern, Qld

PROPERTY PORTFOLIO VALUATION

We were pleased to announce to the market in August 2004 that the value of our portfolio had increased by 7.6% to \$576.7 million as at 30 June 2004. This was an increase of \$40.5 million over our November 2003 cost inclusive purchase price of \$536.2 million. It also compared favourably to the \$568.6 million valuation at August 2003.

The valuation was completed by Jones Lang LaSalle Hotels and in accordance with our policy of having one third of our portfolio independently valued each year, 35 properties were revalued.

The average capitalisation rate of the revalued properties improved from the November 2003 purchase price rate of 8.24% to 7.63% as at 30 June 2004. This result compares favourably with the cap rate in the IPO valuation of 7.77%. The independent valuation of the sample was then extrapolated to the balance of the portfolio by applying it to the same aggregate market movement on a state by state basis.

Based upon the portfolio purchase price of \$536.2 million, net assets for the group stood at \$1.00 per security at the time of listing. At year end following the revaluation and our operating result, our net assets had increased to \$1.41 per stapled security.

DEVELOPMENT PROPERTIES

At the time of our listing on the ASX, ALE held 98 freehold properties on its balance sheet, while seven remained subject to development. During development, ALE earns interest income equivalent to the applicable rent. As at 30 June 2004, ALE had acquired freehold title for three of the seven development properties. These three properties were acquired for a cost inclusive price of \$14.8 million and have been revalued to \$16.2 million as at 30 June 2004, an increase of 9.5%.

The four remaining development properties are estimated to be completed on the following timetable:

CALOUNDRA HOTEL, Caloundra, Qld	Dec 2004
NARRABEEN SANDS, Narrabeen, NSW	Jun 2005
PARKWAY HOTEL, Frenchs Forest, NSW	Jun 2006
BURLEIGH HEADS HOTEL, Burleigh Heads, Qld	Dec 2006

ALH arranges for third party developers to bear the development risks on ALE properties, including the implications of any cost and time overruns.

Since listing, ALH have indicated that they plan to submit development proposals to ALE for two further properties with the following completion dates:

RACEHORSE HOTEL, Booval, Qld	Mid 2006
MIAMI HOTEL, Miami Beach, Qld	Mid 2007

Approval of these proposals will be considered having regard to the lease provisions and the benefits they provide to our stapled security holders.



Burleigh Heads Hotel, Qld
Artist's impression



Racehorse Hotel, Qld
Artist's impression

new developments

Four Mile Creek

260 Gympie Road, Strathpine, Qld

Hamilton Hotel

442 Kingsford Smith Drive, Hamilton, Qld

Holland Park Hotel

945 Logan Road, Holland Park, Qld

Imperial Hotel

66 – 72 George Street, Beenleigh, Qld

Kedron Park Hotel

693 Lutwyche Road, Kedron Park, Qld

Kirwan Tavern

154 Thurwingowa Drive, Townsville, Qld

Lawnton Tavern

820 Gympie Road, Lawnton, Qld

Miami Hotel

2043 – 2047 Gold Coast Highway, Miami, Qld

Mount Gravatt Hotel

1315 Logan Road, Mt Gravatt, Qld

Mount Pleasant Hotel

Malcomson Street, North Mackay, Qld

Noosa Reef Hotel

Noosa Drive, Noosa Heads, Qld

Nudgee Beach Hotel (formerly the Banyo Tavern)

Cnr Approach and Nudgee Roads, Nudgee, Qld

Oxford 152

152 Oxford Street, Bulimba, Qld

Palm Beach Hotel

Corner of 1118 Gold Coast Highway and 5th Avenue, Palm Beach, Qld

Pelican Waters Hotel

Pelican Waters Boulevard, Pelican Waters, Qld

Petrie Hotel

Dayboro Road, Petrie, Qld

Prince of Wales

1154 Sandgate Road, Nundah, Qld

Racehorse Hotel

215 Brisbane Road, Booval, Qld

Redland Bay Hotel

The Esplanade, Redland Bay, Qld

Royal Exchange Hotel

10 High Street, Toowong, Qld

Springwood Tavern

43 Springwood Road, Springwood, Qld

Stones Corner Tavern

346 Logan Road, Stones Corner, Qld

Sunnybank Hotel

275 McCullough Street, Sunnybank, Qld

The Vale Hotel and Aikenvale Motel (Qld)

222 Ross River Road, (Aikenvale) Townsville, Qld

Wilsonton Hotel

40 Richmond Drive, Wilsonton Toowoomba, Qld

Woree Tavern

Bruce Highway, Woree, Cairns, Qld





New Brighton Hotel, NSW

Aberfoyle Hub Tavern

The Hub Shopping Centre Taylors Road, Aberfoyle Park, SA

Enfield Hotel

184 Hampstead Road, Clearview, SA

Eureka Hotel

10 Park Terrace, Salisbury, SA

Exeter Hotel

152 Semaphore Road, Exeter, SA

Finsbury Hotel

49 Hanson Road, Woodville North, SA

Gepps Cross Hotel

560 Main North Road, Blair Athol, SA

Hendon Hotel

110 Tapleys Hill Road, Royal Park, SA

Stockade Tavern

2 Gawler Street, Salisbury, SA

The Ramsgate Hotel

328 Seaview Road, Henley Beach, SA

Ashley Hotel

226 Ballarat Road, Braybrook, Vic

Bayswater Hotel

780 Mountain Highway, Bayswater, Vic

Blackburn Hotel

111 Whitehorse Road, Blackburn, Vic

Blue Bell Hotel

Howitt Street, Wendouree, Vic

Burvale Hotel

Cnr Springvale Road and Burwood Highway, Nunawading, Vic

Club Hotel

848 Burwood Highway, Ferntree Gully, Vic

Cramers Hotel

1 Cramer Street, Preston, Vic

Davey's Hotel

510 Nepean Highway, Frankston, Vic

Deer Park Hotel

760 Ballarat Road, Deer Park, Vic

Doncaster Inn Hotel

855 Doncaster Road, Doncaster, Vic

Elsternwick Hotel

259 Brighton Road, Elwood, Vic

Eltham Hotel

746 Main Street, Eltham, Vic

Ferntree Gully Hotel & Motel

1130 – 2 Burwood Highway, Ferntree Gully, Vic

Gateway Hotel

218 – 230 Princes Highway, Corio, Vic

Keysborough Hotel

Cnr Corrigan and Cheltenham Roads, Keysborough, Vic

Mac's Hotel

322 – 332 High Street, Melton, Vic

Meadow Inn Hotel

1431 – 1435 Sydney Road, Fawkner, Vic



The Young & Jackson Hotel, Vic



The Ramsgate Hotel, SA



INNOVATIVE CAPITAL STRUCTURE

In order to maximise the opportunities and minimise the risks of ALE's capital structure, a conservative policy has been developed in relation to interest rate hedging. ALE's debt is currently hedged on the following basis:

- \$330 million of Commercial Mortgage Backed Securities (CMBS) – a combination of fixed rate bonds and hedging through to between November 2008 and November 2010;
- \$150 million of ALE Notes – fixed rate notes through to September 2011.

The maturity of ALE's debt hedging presently stands at around five years. ALE will continue to adopt a conservative stance by seeking opportunities to extend the hedging further. At any one time we expect to target a forward hedging programme of between three and five years.

I am also proud to announce that ALE's innovative capital structure has been recognised by the financial community with the following two awards:

- INSTO Magazine award for the "Innovative Deal of the Year 2003";

- CFO Magazine award for the "Structured Finance Transaction of the Year 2004".

PERFORMANCE FOCUSED OPERATIONS

Establishing ALE's operations post float has required a significant volume of work. In the first eight months we have:

- developed a comprehensive working protocol with ALH, the tenant of our property portfolio;
- established and fostered relationships with a range of external organisations with specialist capabilities in finance, valuation, risk management, property maintenance and law;
- instituted systems and procedures to ensure high levels of risk management, compliance and reporting;
- attracted investment research from leading investment houses;
- raised the profile of ALE through the media and by speaking at various investment and financing conferences.

All of these activities have been undertaken to ensure an effective operational environment where ALE's innovation and performance is recognised and understood.

THE BRUANDWO BID FOR ALH

Bruandwo Pty Limited, a company jointly owned by Woolworths Limited and The Bruce Mathieson Group, launched a takeover bid for ALH in July 2004.

At this time, we would like to highlight our secure position should this takeover succeed:

- If there is a change in control of ALH, the terms of ALE's lease agreements with ALH remain unchanged.
- ALH does not have control of, nor the automatic right to acquire, land or property currently owned by ALE.
- ALH has the exclusive right to develop the leased premises and to retain the associated proceeds subject to, among other things, ALE being kept whole. ALE will exercise its rights of approval and endeavour to work with ALH to achieve commercial outcomes that are acceptable to both.
- Should ALH at any time wish to assign leases to third parties, it is not released from its obligations under the lease. In any assignment we would seek to ensure that any third party had, among other qualities, the financial capacity, business skills and resources to enable it to fulfil ALH's obligations under the lease.

As developments unfold we will continue to keep security holders informed.

PORTFOLIO GROWTH

We have established sound foundations, allowing us to take advantage of acquisition opportunities going forward. ALH and ALE have developed a strong relationship and more specifically, a keen understanding of each other's requirements.

ALE owns Australia's largest portfolio of freehold pub properties and our tenant ALH is Australia's largest pub operator. We expect to work with ALH to identify portfolio development opportunities and new property investments. ALE will apply criteria to each acquisition to ensure that the quality of the existing portfolio is maintained, and where possible, improved upon.

We will also selectively consider other property investments where some or all the following features are present:

- Long term CPI indexed lease.
- Tenant with sustainable capacity to pay rent.
- Property that is strategically important to the tenant's core business.
- Other features that provide for the tenant or third parties to assume significant property risks and costs.

Over and above these criteria, ALE's strategy is to add to the portfolio where it contributes to the distribution and capital growth prospects of its stapled security holders.

OUTLOOK

The outlook for the year to June 2005 is positive. Current expectations are for a CPI increase of between 2.5% and 3.0% for the year ending 30 September 2004. This will be reflected in rental increases commencing November 2004 in accordance with lease terms.

With most of ALE's expenses fixed or managed within a tight range, we expect that a significant proportion of future rental increases will be available for distribution to our stapled security holders. The September CPI result should be announced around the time of our inaugural Annual General Meeting in October 2004, at which point further guidance will be provided.

We remind our security holders that growth in distributions is not dependent upon further development or acquisitions. The existing portfolio alone provides a positive earnings outlook.

Finally, may I take this opportunity to thank the Board for its guidance and my management team for its dedication to produce what is without doubt an excellent result.



Andrew Wilkinson,
Chief Executive Officer



Sandown Park Hotel, Vic



Sail and Anchor Pub Brewery, WA

Mitcham Hotel

566 Maroondah Highway, Mitcham, Vic

Morwell Hotel

311 – 327 Princes Drive, Morwell, Vic

Mountain View Hotel

186 Springvale Road, Glen Waverley, Vic

Olinda Creek Hotel

161 Main Street, Lilydale, Vic

Pier Hotel/21st Century

508 Nepean Highway, Frankston, Vic

Plough Hotel

Childs Road (Stables Shopping Centre), Mill Park, Vic

Prince Mark Hotel

Cnr Princes Highway and Power Road, Doveton, Vic

Rifle Club Hotel

121 Victoria Street Williamstown, Vic

Rose Shamrock and Thistle Hotel

709 Plenty Road, Reservoir, Vic

Royal Exchange Hotel

64 Princes Highway, Traralgon, Vic

Royal Hotel (Sunbury)

63 Evans Street, Sunbury, Vic

Royal Hotel Essendon

871 Mt Alexander Road, Essendon, Vic

Sandbelt Hotel

Cnr South and Bignell Roads, Moorabbin, Vic

Sandown Park Hotel

Princes Highway, Noble Park, Vic

Sandringham Hotel

Cnr Beach and Bay Roads, Sandringham, Vic

Somerville Hotel

Cnr Station and Edward Streets, Somerville, Vic

Stamford Inn Hotel

Cnr Stud & Wellington Roads, Rowville, Vic

Sylvania Hotel

1631 Sydney Road/Hume Highway, Campbellfield, Vic

The Vale Hotel (previously the Springvale hotel)

2277 Dandenong Road/Princes Highway, Mulgrave, Vic

Tudor Inn Hotel

1281 Nepean Highway, Cheltenham, Vic

Victoria Hotel

Cnr Wyndham and Fryer Streets, Shepparton, Vic

Village Green Hotel

Cnr Springvale and Ferntree Gully Roads, Glen Waverley, Vic

Westmeadows Tavern

10 Ardlie Street, Westmeadows, Vic

The Young & Jackson Hotel

Cnr Swanston and Flinders Streets, Melbourne, Vic

Queens Tavern

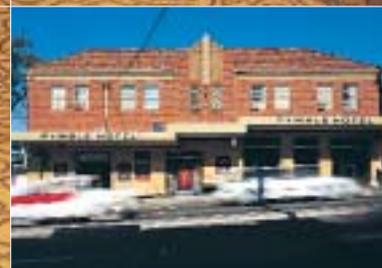
520 Beaufort Street, Highgate, WA

Sail and Anchor Pub Brewery

64 South Terrace, Freemantle, WA

Wanneroo Villa Tavern

18 Dundobar Road, Wanneroo, WA



Pymble Hotel, NSW

our board

Peter Warne Chairman and Non-Executive Director

Peter began his career with the NSW Government Actuary's Office and the NSW State 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 was acquired by Macquarie Bank Limited in 1999. Peter is Chairman of Capital Markets CRC Limited and Next Financial Pty Ltd. He is also a member of the Advisory Board of the Australian Office of Financial Management and a director of SFE Corporation Limited and Austraclear Limited.

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

John Henderson Non-Executive Director

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

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

James McNally Executive Director

James has over ten 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 provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including ALE.

James' qualifications include a Bachelor of Business in Land Economy from the Hawkesbury Agricultural College and a Diploma of Law (Legal Practitioners Admission Board). He is a registered valuer and licensed real estate agent.

Helen Wright Non-Executive Director

Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer, specialising in real estate projects including development and financing and related taxation and stamp duties, and is currently a consultant to Freehills. Helen is a member of the Boards of Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cover Redevelopment Authority, and was Deputy Chair of the Australia Day Council of NSW until December 2002. Helen also serves on the Advisory Board to The Little Company of Mary (Calvary Hospitals). Prior boards include Darling Harbour Authority and MLC Homepack Limited.

Helen has a Bachelor of Laws from the University of NSW, and in 1994 completed the Advanced Management Program at Harvard Graduate School of Business.



PETER WARNE



JOHN HENDERSON



JAMES McNALLY



HELEN WRIGHT

corporate governance

The Board of Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") is accountable to stapled security holders for the performance of ALE.

Set out below is a summary of the main corporate governance practices of ALE. These practices have been in effect since ALE stapled securities were listed on the Australian Stock Exchange (ASX) in November 2003.

ROLES OF THE BOARD AND MANAGEMENT

The Board's responsibilities encompass the following:

1. review and approval of the strategic direction of ALE;
2. oversight of ALE, including its controls and accountability systems;
3. appointing and, where appropriate, removing the chief executive officer (CEO);
4. ratifying the appointment of and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary;
5. input into and final approval of management's development of corporate strategy and performance objectives;
6. review and ratification of systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
7. monitoring of senior management performance and implementation of strategy, and ensuring appropriate resources are available;
8. approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
9. approving and monitoring financial and other reporting; and
10. establishing and maintaining ethical standards.

The Board delegates to the CEO responsibility for implementing strategic direction, and for managing the day-to-day operations of ALE.

The Chief Executive Officer consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

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

BOARD COMPOSITION

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Board has determined that it is currently appropriate to have four Directors, three of whom, including the Chairman, are non-executive.

The three non-executive Directors, Peter Warne, John Henderson and Helen Wright, are independent Directors as defined under section 601JA of the Corporations Act, and satisfy the principles of independence as outlined in the ASX Corporate Governance Council Recommendations.

The Chairman is selected by the full Board annually at the first meeting following the AGM, and is an independent Director.

The Board is in the process of developing and implementing a plan for identifying, assessing and enhancing director competencies. As part of this plan, the Board will maintain an appropriate balance of skills, experience and expertise on the Board.

As the Company only operated for eight of the 12 months to 30 June 2004, a performance evaluation of the Board and its

members was not deemed appropriate at this early stage.

Under the Company's Constitution, a Director may not hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election. If no Director would otherwise be required to submit for re-election but the Listing Rules require that an election of Directors be held, the Director to retire at the annual general meeting is the Director who has been longest in office since their last election.

Mr James McNally will be retiring and standing for re-election as a Director of the Company at its next AGM.

INDEPENDENT PROFESSIONAL ADVICE

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

ETHICS AND CONDUCT

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

AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE

To assist it in carrying out its responsibilities, the Board has established an Audit, Compliance and Risk Management Committee. This is a standing committee that is composed of three non-executive, independent Directors. The Chairman of the Board is also currently the Chairman of the Committee.

The Audit, Compliance and Risk Management Committee meets at least four times a year.

As the Board comprises 50% or more independent Directors, an independent compliance committee has not been appointed for the Group. The Board has, however, determined that the Audit, Compliance and Risk Management Committee fulfil this role.

There were four meetings of the Audit, Compliance and Risk Management Committee in the eight months to 30 June 2004.

The members of the Audit, Compliance and Risk Management Committee and their attendance at meetings are as follows:

	Meetings Attended
Peter Warne (Chairman)	4
John Henderson	4
Helen Wright	3

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

Under the ASX Corporate Governance Council Recommendations, from 1 July 2005 the Chairman of the Audit, Compliance and Risk Management Committee may not be the same person that chairs the Board.

As Peter Warne is Chairman of both the Board and the Audit, Compliance and Risk Management Committee, he will retire as Chairman of the Committee prior to 30 June 2005, and another independent director will be appointed as Chairman of the Committee in his place. It is proposed that Peter Warne remain on the Committee as an independent member.

corporate governance

BOARD AND EXECUTIVE REMUNERATION

Director and executive current gross annual remuneration (including superannuation contributions and before bonus) is as follows:

Peter Warne	(Chairman and Non-Executive Director)	\$120,000
John Henderson	(Non-Executive Director)	\$70,000
Helen Wright	(Non-Executive Director)	\$70,000
James McNally	(Executive Director)	\$75,000
Andrew Wilkinson	(Chief Executive Officer)	\$225,000
Brendan Howell	(Company Secretary and Compliance Officer)	\$75,000
Darren Barkas	(Property Trust Manager)	\$136,250

As part of Andrew Wilkinson's remuneration package, Andrew has been issued with 300,000 options to acquire stapled securities in ALE at a price of \$1.036 per stapled security. The strike price for the options was determined by reference to the average closing price of the stapled securities upon the ASX during the first 20 trading days following the IPO. These options are exercisable from the third anniversary of the Operative Date (i.e. from 24 November 2003) or earlier if his employment is terminated, in accordance with his employment contract. ALE was not required to obtain security holder consent to the grant of options as Andrew Wilkinson is not a director of ALE.

Andrew Wilkinson and Darren Barkas will be paid a bonus of \$30,000 and \$7,500 respectively for their performance in respect of the period ending 30 June 2004. These bonuses are in accordance with their employment contracts and have been pro-rated for the period since the commencement of their employment to 30 June 2004.

INDEPENDENCE AND MATERIALITY THRESHOLDS

While not relevant for the current period, ALE will determine the materiality of Director independence matters on a case-by-case basis.

NOMINATIONS AND REMUNERATIONS COMMITTEE

Given the number of staff employed by the Company and the size of the Board, the Board has determined that it does not require separate Nominations

and Remunerations Committees, and that the Board will fulfil these functions.

TRADING IN SECURITIES

ALE has a Trading Policy with which all Directors and employees must comply.

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

Directors, employees and their associates may buy or sell ALE Securities only during the four-week periods following:

- the release of the half-year results;
- the release of the full-year results; and
- close of the Annual General Meeting.

The Chairman may, in special circumstances, authorise the sale by a Director or employee of ALE Securities outside the relevant four-week periods outlined above.

All Directors and employees are also precluded from buying or selling ALE Securities at any time if they are aware of price sensitive information that has not been made public.

In accordance with provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, Directors advise the ASX of any transaction conducted by them in ALE Securities.

INVESTOR RELATIONS

ALE is committed to the provision of timely, full and accurate disclosure of material information concerning ALE. ALE has a policy that security holders have equal access to ALE's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange.

The Board encourages full participation of security holders at the Annual General Meeting. The external auditor will attend the Annual General Meeting to answer any questions concerning the audit and content of the auditor's report.

FINANCIAL INTEGRITY AND RISK MANAGEMENT

During the period the CEO and Property Trust Manager provided statements to the Board confirming the integrity of the financial accounts and compliance of risk management with the policies adopted by the board.

ALE WEBSITE

All information provided to the ASX is immediately posted on the ALE website, www.alegroup.com.au.

The ALE website includes various corporate governance documents and policies, such as the Board's Charter, ALE's Code of Conduct and the Audit, Compliance and Risk Management Committee's Charter.

DISTRIBUTIONS

Given the short first year of operation, the initial distribution was for the eight months ended 30 June 2004.

Future distributions will be paid to security holders every six months.

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES

In the period since listing, ALE has made significant progress in adoption of best practice corporate governance principles consistent with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

While each of these matters have been responded to above, as at the end of the first reporting period at 30 June 2004, ALE has not fully complied with the following recommendations:

- 2.4 - The Board should establish a nomination committee
- 2.5 - Report in the annual report on director independence materiality thresholds.
- 4.3 - Structure the audit committee so that the chair is not the chair of the Board
- 7.3 - Report and disclose the CEO/CFO statement to the Board in writing relating to financial integrity and risk management.
- 8.1 - Disclose the policy of performance evaluation of the Board, the committee and individual directors
- 9.2 - The Board should establish a remuneration committee
- 9.4 - Ensure that the payment of equity-based executive remuneration is made in accordance with the thresholds set in plans approved by security holders

Where necessary, ALE will develop its policies and procedures and the documentation of them during the course of the next reporting year.

Combined Annual Concise Financial Report

FOR THE PERIOD 26 JUNE 2003 TO 30 JUNE 2004

Consisting of the combined concise reports of

Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

and

Australian Leisure and Entertainment Property Trust

ARSN 106 063 049

ALE Property Group

contents

directors' report 22

discussion and analysis of combined statements of
financial performance, financial position and cash flows 27

combined statement of financial performance 28

combined statement of financial position 29

combined statement of cash flows 30

notes to the financial statements 31

directors' declaration 37

independent audit report to the stapled security holders 38

directors' report

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for ALE Property Group (the "Group") for the period from 26 June 2003 to 30 June 2004.

The Group is comprised of the Company and Australian Leisure and Entertainment Property Trust (the "Trust") for which the Company acted as Responsible Entity for the period ended 30 June 2004. Accordingly, this report includes the combined results of the Company and the Trust.

DIRECTORS

The following persons were directors of the Company from the date of their appointment and up until the date of this report unless otherwise stated:

Name	Appointed	Resigned
B R Howell	26 June 2003	10 September 2003
C Wheeler	26 June 2003	10 September 2003
J T McNally	26 June 2003	
J P Henderson	19 August 2003	
P H Warne	8 September 2003	
H I Wright	8 September 2003	

REVIEW OF OPERATIONS

The Company was incorporated on 26 June 2003. The Trust was constituted on 19 August 2003 and became a registered managed investment scheme on 3 September 2003. The Group's operations have been consistent with its business objectives outlined in its product disclosure statement dated 26 September 2003. The Group first became entitled to rental income on investment properties from 5 November 2003.

On 7 November 2003, \$90.8 million of stapled securities were issued by the Group. Each stapled security comprises one share in the Company and one unit in the Trust. The stapled securities were issued at \$1.00 each, representing \$0.10 for the share and \$0.90 for the unit. The shares and the units are stapled together under the terms of their respective constitutions and cannot be traded separately.

On 7 November 2003 the Group issued \$150 million of unsecured, subordinated, cumulative, redeemable loan notes ("ALE Notes"). The ALE Notes have a scheduled maturity date of 30 September 2011 and were issued at \$100 per ALE Note.

On 10 November 2003 the Group issued \$330 million of commercial mortgage backed securities ("CMBS") with scheduled maturity dates of 10 November 2008. The CMBS comprised \$100 million of fixed rate borrowings and \$230 million of variable rate borrowings.

The Group's total variable rate borrowings exposure of \$230 million was fully hedged to maturity by the use of interest rate swaps ("swaps"). Overall, a weighted average interest rate of 6.524%, effectively fixed for five years from issue, for the Group's \$480 million of borrowings was achieved.

The Group was admitted to the official list of the Australian Stock Exchange (ASX) on 10 November 2003 and the Group's stapled securities and ALE Notes were both listed on the ASX on 12 November 2003.

Net assets per stapled security as at 30 June 2004 are \$1.41.

PRINCIPAL ACTIVITIES

During the period the principal activity of the Group consisted of investment in property and property funds management. There has been no significant change in the nature of these activities during the period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the Group and its net asset value. The Group is required to adopt International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board for reporting periods beginning on or after 1 January 2005. A summary of how the Group is managing this transition and what the likely impacts will be is contained in Note 30 to the Combined Financial Statements (of the full financial report).

A summary of the combined revenue and results are set out below:

	26 June 2003 to 30 June 2004 \$'000
Income	
Property rents and loan interest	29,479
Bank interest	715
	30,194
Expenses	
Borrowing costs	24,233
Management expenses	1,565
Land tax expense	545
	26,343
Income tax benefit	51
Net Profit after Tax	3,902

As a result of all of the property leases being "triple net" the Group has had minimal direct property outgoings other than land tax on the Queensland properties.

DISTRIBUTIONS & DIVIDENDS

A provision for Trust distributions of \$6,810,008 has been provided for by the Group as at 30 June 2004. No provisions for Company dividends have been made by the Group as at 30 June 2004, no dividends have been paid or are payable for the period ending 30 June 2004.

The following directors, specified executives and their associates held or currently hold interests in the Group.

Name	Director/Specified Executive	Balance at the Start of the Period	Purchase/ (Sales)	Number of Stapled Securities held at 30 June 2004
P H Warne	Director	0	453,400	453,400
H I Wright	Director	0	100,000	100,000
J P Henderson	Director	0	25,000	25,000
A F O Wilkinson	Specified Executive	0	31,998	31,998

INDEMNITIES OF OFFICERS

During the financial year, the Group paid a premium of \$40,746 to insure the directors and officers of the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

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.

directors' report

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors held during the period to 30 June 2004 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board Meeting		Audit, Compliance and Risk Management Committee Meeting	
	Held ¹	Attended	Held ¹	Attended
B R Howell	1	1	–	–
C Wheeler	1	1	–	–
J T McNally	15	15	–	–
J P Henderson	14	14	4	4
P H Warne	14	12	4	4
H I Wright	14	11	4	3

1 "Held" reflects the number of meetings which the director was eligible to attend.

DIRECTORS' AND SPECIFIED EXECUTIVES' EMOLUMENTS

Non-executive and executive directors' fees are determined by the board.

The current maximum aggregate amount that may be paid in directors fees must not exceed \$335,000 per annum, being \$260,000 for non-executive directors and \$75,000 for the executive director (inclusive of responsible officer fee). The maximum amount for non-executive directors can only be increased at a general meeting of the Company.

On appointment, each executive is required to enter into a standard Executive Employment Agreement. Executive remuneration levels are approved by the board and are determined by reference to current market levels and employee performance.

The executive remuneration structure currently includes salary, superannuation guarantee contributions and performance related benefits. Where considered appropriate by the board, executive staff may also be offered options in the Group.

Details of the nature and amount of each element of the emoluments of each director of the Group and each specified executive of the Group, paid or payable by the Group for the period ending 30 June 2004 are set out in the following tables:

NON-EXECUTIVE DIRECTORS OF THE GROUP

Name	Period	Directors Base Fee	Superannuation Contributions	Total
C Wheeler	26/06/03 – 10/09/03	0	0	0
J P Henderson	19/08/03 – 30/06/04	60,586	0	60,586
P H Warne	08/09/03 – 30/06/04	89,430	8,049	97,479
H I Wright	08/09/03 – 30/06/04	52,065	4,686	56,751
Sub-total non-executive directors		202,081	12,735	214,816

EXECUTIVE DIRECTORS OF THE GROUP

Name	Period	Directors Base Fee	Superannuation Contributions	Total
J T McNally	26/06/03 – 30/06/04	47,500	0	47,500
B R Howell	26/06/03 – 10/09/03	0	0	0
Sub-total executive directors		47,500	0	47,500
Total – all directors of the Group		249,581	12,375	262,316

B R Howell's and J T McNally's fees prior to 10 November 2003, were paid directly by Foster's Group Limited and are not included in the amounts above.

SPECIFIED EXECUTIVES OF THE GROUP

Name	Period	Base Salary	Superannuation Contributions	Options	Short Term Incentive	Total
A F O Wilkinson	24/11/03 – 30/06/04	118,141	10,633	4,083	30,000	162,857
D Barkas	29/01/04 – 30/06/04	57,805	5,202	0	7,500	70,507
B R Howell	11/09/03 – 30/06/04	47,500	0	0		47,500
Total		223,446	15,835	4,083	37,500	280,864

B R Howell's fees, prior to 10 November 2003, were paid directly by Foster's Group Limited and are not included in the amounts above.

The specified executives held the following positions in the Group:

A F O Wilkinson is the Chief Executive Officer.

D Barkas is the Property Trust Manager.

B R Howell is the Company Secretary.

Specified executives are defined as the persons who report or are responsible to the board or to the Chief Executive Officer for the strategic direction and operational management of the Group.

NON-EXECUTIVE DIRECTOR OF A SUBSIDIARY BOARD

Name	Period	Base Salary	Superannuation Contributions	Short Term Incentive	Total
G MacLaren	01/10/03 – 30/06/04	15,000	0	0	15,000

G MacLaren is a director of ALE Finance Company Pty Limited ("Finance Company") which is a controlled entity of the Trust.

STAPLED SECURITIES OPTIONS GRANTED

Options over unissued stapled securities of the Group were granted during the financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Andrew Wilkinson has the right to subscribe for up to 300,000 stapled securities at a fixed price of \$1.036 exercisable from 10 November 2006 or earlier if Mr Wilkinson's employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable for a period ending 10 November 2007, unless the Group was subject to a take over in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executives' remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of \$21,000 at grant date has been independently determined by taking the average of using a Black-Scholes option pricing model and the mid-point determined by a binomial option pricing model. These techniques take 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 option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

ENVIRONMENTAL REGULATION

Whilst the Group is subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

COMPARATIVE AMOUNTS

The Group commenced operations in the current reporting period, as a result no comparative information is available for disclosure in the financial report.

directors' report

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 Group that occurred during the period, other than those changes otherwise identified in this financial report.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

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

ROUNDING OF AMOUNTS

The Group is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial 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.



P Warne
Director

Sydney

Dated this 1st day of September 2004

discussion and analysis of the combined financial statements

The following commentary is to assist stapled security holders in reviewing and interpreting the combined results of the Group for the period ending 30 June 2004.

STATEMENT OF FINANCIAL PERFORMANCE

Net profit after tax was \$3,902,000. This is \$2,112,000 higher than the forecast revised net operating income in the Prospectus/PDS issued by the Group in September 2003 ("PDS"). The key differences between the forecast and actual results were:

- Interest income – higher cash balances resulting from cost control and management of cash flow along with effective investment of those balances delivered a \$487,000 (or 213%) increase above the PDS forecast of interest income. Over and above the \$5.5 million of cash required to be placed on deposit for the CMBS, the Group held cash balances and deposits through out the period ranging from around \$8 million to \$17.5 million to provide the Group with liquidity and to support any modest acquisitions.
- Management costs – our management costs (excluding \$126,000 of prepaid advisory fees) were \$435,000 (or 23%) below the PDS forecast due to savings related to strict cost control measures and the delayed recruitment of staff following IPO.
- Land tax – our land tax expenses were \$225,000 (or 29%) below the PDS forecast. This was a result of the delayed completion of some of our development properties and permanent reductions on sites where the net land areas have been reduced following completion of development.
- Interest expense – our fully hedged weighted average interest rate established at IPO was 6.524%, some 0.211% below the lowest end of the indicative range in the PDS. This reduced rate and other one off differences such, as a 3 day delay from the assumed CMBS drawdown date in the PDS, produced a \$886,000 (or 4%) reduction in borrowing costs before amortisation to \$20,542,000.

The amortisation of prepaid borrowing costs during the period amounted to \$3,691,000 leaving an unamortised balance of \$25,109,000 to be expensed over the next 4 years (Note 6 contains further information).

- Other – various other minor net favourable variances in rental income, amortisation and tax benefit total \$79,000.

STATEMENT OF FINANCIAL POSITION

Total Assets were \$625,511,000 as at 30 June 2004.

During the period, the Group as part of the IPO, raised \$90,800,000 of stapled security equity and \$480,000,000 of CMBS and ALE Notes debt to enable the acquisition (inclusive of acquisition costs) of \$536,200,000 of the property portfolio from the Fosters Group.

The property portfolio was revalued upwards by \$40,459,000 during the period.

The Group has fixed, through the use of swaps and fix rate debt, the overall costs of debt raised at a rate of 6.524% p.a. As mentioned above, this was less than the range of interest rates forecast in the PDS. The debt is 100% hedged through to November 2008 and then partially through until September 2011.

Net assets per stapled security at 30 June 2004 was \$1.41.

STATEMENT OF CASH FLOWS

Significant cash movements reflect the establishment of the Group during the year.

Net cash flows from operating activities include the rent earned on the portfolio, the interest earned on cash balances held by the group and the payment of interest expenses on the Group's borrowings.

Net cash flows from investing activities was a significant outflow relating to:

- the purchase during the period of a portfolio of 101 investment properties for \$509,741,000.
- deposits on the remaining four development properties of \$2,600,000.
- loans to the Foster's Group Limited in relation to the remaining four development properties of \$23,409,000.
- acquisition costs of \$450,000 on the remaining four development properties.

Net cash flows from financing activities was a significant inflow relating to the issue of \$330,000,000 of CMBS, \$150,000,000 of ALE Notes, and \$62,000,000 of stapled security equity.

As a non-cash financing activity, the Group also issued \$28,800,000 of stapled security equity to Macquarie Equity Capital Markets Limited (MECML) comprising:

- \$25,920,000 of ordinary units in the Trust.
- \$2,880,000 of ordinary shares in the Company.

in satisfaction of the \$28,800,000 payable under the lead manager's incentive offer.

combined statement of financial performance

FOR THE PERIOD FROM 26 JUNE 2003 TO 30 JUNE 2004

	Note	26 June 2003 to 30 June 2004 \$'000
Revenue and expenses from ordinary activities		
Property rental income & loan interest	2	29,479
Interest income	2(a)	715
Total revenue from ordinary activities		30,194
Borrowing costs excluding amortisation		20,542
Borrowing costs (non-cash) amortisation		3,691
Land tax expense		545
Salaries and directors' expenses		555
Auditors' remuneration		160
Insurance for directors and officers		41
Property valuation expenses		110
Other expenses		699
Total expenses from ordinary activities		26,343
Profit from ordinary activities before income tax expenses		3,851
Income tax benefit		51
Net profit after income tax attributable to stapled security holders of the Group		3,902
Net increment in asset valuations	4	40,459
Total revenues, expenses and valuation adjustments attributable to stapled security holders of the Group recognised directly in equity		40,459
Total changes in equity attributable to stapled security holders of the Group other than those resulting from transactions with stapled security holders as owners		44,361
Distributions paid and payable	3	6,810
		Cents
Basic and diluted earnings per stapled security	7	4.3
Distributions paid and payable per stapled security	3	7.5

The above Combined Statement of Financial Performance should be read in conjunction with the accompanying notes.

combined statement of financial position

AS AT 30 JUNE 2004

	Note	30 June 2004 \$'000
Current Assets		
Cash assets		23,090
Receivables		325
Loans	5	11,746
Prepayments and other assets	6	6,018
Total current assets		41,179
Non-Current Assets		
Deferred tax asset		59
Property investments	4	550,200
Development property – loans deposits and costs	5	14,713
Prepayments and other assets	6	19,344
Property, plant & equipment		16
Total non-current assets		584,332
Total assets		625,511
Current Liabilities		
Payables		9,694
Provisions		6,845
Other		309
Total current liabilities		16,848
Non-current Liabilities		
Interest bearing liabilities – CMBS	8	330,000
Interest bearing liabilities – ALE Notes	8	150,000
Deferred tax liability		8
Other		304
Total non-current liabilities		480,312
Total liabilities		497,160
Net Assets		128,351
Equity		
Contributed Equity		88,010
Asset Revaluation Reserve		40,459
Retained Earnings/(Accumulated Losses)		(118)
Total Equity		128,351
Net assets per stapled security		\$1.41

The above Combined Statement of Financial Position should be read in conjunction with the accompanying notes.

combined statement of cash flows

FOR THE PERIOD FROM 26 JUNE 2003 TO 30 JUNE 2004

	26 June 2003 to 30 June 2004 \$'000
Cash flows from operating activities	
Receipts from customers (inclusive of goods and services tax)	30,215
Payments to suppliers and employees (inclusive of goods and services tax)	(1,344)
Foster's Group Limited – recovery of payments to suppliers	447
Interest received	2,560
Borrowing costs	(14,568)
Net cash flows from operating activities	17,310
Cash flows from investing activities	
Acquisitions of property investments	(509,741)
Loans to Foster's Group Limited	(23,409)
Deposits on development property investments	(2,600)
Pre-acquisition costs on property investments	(450)
Property, plant and equipment	(20)
Net cash flows used in investing activities	(536,220)
Cash flows from financing activities	
Proceeds from issue of stapled securities	62,000
Proceeds from interest bearing liabilities	480,000
Net cash flows from financing activities	542,000
Net increase in cash held	23,090
Cash at beginning of the financial period	–
Cash at the end of the financial period	23,090
Non-cash financing activities	28,800

Non-cash Financing Activities

\$90,800,100 of stapled securities were issued as at 30 June 2004, however, cash proceeds from issue of stapled securities was only \$62,000,100. The difference of \$28,800,000 is a non-cash item and relates to stapled securities issued to the lead manager in satisfaction of a \$28,800,000 fee (exclusive of GST) payable under the lead manager's incentive offer.

Note 6 "Prepayments and Other Assets" contains further information on the manager's incentive fee.

The above Combined Statement of Cash Flows should be read in conjunction with the accompanying notes

notes to the financial statements

NOTE 1 – BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The combined concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the combined concise financial report have been derived from the aggregated full financial report for the financial period. The combined concise financial report cannot be expected to provide as full an understanding of the combined financial performance, combined financial position and financing and investing activities of ALE Property Group as the full financial report.

NOTE 2 – REVENUE

28 June 2003 to
30 June 2004
\$'000

Operating activities

Rental income	27,468
Interest received on loans to the Foster's Group Limited	2,011
	<hr/>
	29,479
(a) Interest income from:	
Bank term deposit interest	715
	<hr/>
	30,194

NOTE 3 – DISTRIBUTIONS PAID OR PROVIDED FOR ON STAPLED SECURITIES

The distribution comprises:

Distribution from the Trust of 7.5 cents per unit	6,810
Dividend from company of 0.0 cents per share	0
	<hr/>
	6,810

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
New South Wales					
Smithfield Tavern, Smithfield	05-Nov-03	4,150	Independent	4,500	350
Blacktown Hotel, Blacktown	05-Nov-03	5,470	Independent	5,800	330
Kirribilli Hotel, Kirribilli	05-Nov-03	5,847	Independent	6,400	553
Crows Nest Hotel, Crows Nest	05-Nov-03	8,771	Independent	9,600	829
Brown Jug Hotel, Fairfield Heights	05-Nov-03	5,659	Directors'	6,200	541
Colyton Hotel, Colyton	05-Nov-03	8,205	Directors'	8,900	695
Melton Hotel, Auburn	05-Nov-03	3,112	Directors'	3,400	288
New Brighton Hotel, Manly	05-Nov-03	8,865	Directors'	9,700	835
Pioneer Hotel, Penrith	05-Nov-03	5,847	Directors'	6,400	553
Pymble Hotel, Pymble	05-Nov-03	2,830	Directors'	3,100	270
Total New South Wales Properties		58,756		64,000	5,244

notes to the financial statements

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
Queensland					
Racehorse Hotel, Booval	10-Nov-03	1,792	Independent	2,100	308
Edinburgh Castle Hotel, Kedron	10-Nov-03	3,112	Independent	3,300	188
Mt Gravatt Hotel, Mount Gravatt	10-Nov-03	3,207	Independent	3,300	93
Alderley Arms Hotel, Alderley	10-Nov-03	3,301	Independent	3,500	199
Holland Park Hotel, Holland Park	10-Nov-03	3,773	Independent	3,900	127
Four Mile Creek, Strathpine	10-Nov-03	3,672	Independent	4,300	628
Pelican Waters, Caloundra	10-Nov-03	4,237	Independent	4,500	263
Anglers Arms Hotel, Southport	10-Nov-03	4,433	Independent	4,600	167
Wilsonton Hotel, Toowoomba	10-Nov-03	4,527	Independent	4,900	373
Oxford 152, Bulimba	10-Nov-03	4,999	Independent	5,700	701
Royal Exchange Hotel, Toowong	10-Nov-03	5,753	Independent	6,000	247
Sunnybank Hotel, Sunnybank	10-Nov-03	8,205	Independent	8,700	495
Springwood Hotel, Springwood	10-Nov-03	9,148	Independent	10,000	852
Albany Creek Tavern, Albany Creek	10-Nov-03	8,394	Directors'	9,000	606
Albion Hotel, Albion	10-Nov-03	4,433	Directors'	4,800	367
Balaclava Hotel, Cairns	10-Nov-03	3,301	Directors'	3,500	199
Banyo Tavern, Nudgee	10-Nov-03	3,018	Directors'	3,200	182
Breakfast Creek Hotel, Breakfast Creek	10-Nov-03	10,657	Directors'	11,500	843
Camp Hill Hotel, Camp Hill	10-Nov-03	2,264	Directors'	2,400	136
Chardons Corner Hotel, Annerly	10-Nov-03	1,415	Directors'	1,500	85
Dalrymple Hotel, Townsville	10-Nov-03	3,207	Directors'	3,500	293
Ferry Grove Tavern, Ferry Grove	10-Nov-03	5,847	Directors'	6,200	353
Hamilton Hotel, Hamilton	10-Nov-03	6,602	Directors'	7,100	498
Imperial Hotel, Beenleigh	10-Nov-03	2,452	Directors'	2,700	248
Kedron Park Hotel, Kedron Park	10-Nov-03	2,264	Directors'	2,400	136
Kirwan Tavern, Townsville	10-Nov-03	4,433	Directors'	4,800	367
Lawnton Tavern, Lawnton	10-Nov-03	4,433	Directors'	4,700	267
Miami Hotel, Miami	10-Nov-03	4,055	Directors'	4,300	245
Mount Pleasant Tavern, Mackay	10-Nov-03	1,792	Directors'	1,900	108
Newmarket Hotel, Cairns	10-Nov-03	2,358	Directors'	2,500	142
Noosa Reef Hotel, Noosa Heads	10-Nov-03	6,874	Directors'	7,400	526
Palm Beach Hotel, Palm Beach	10-Nov-03	6,885	Directors'	7,400	515
Petrie Hotel, Petrie	10-Nov-03	1,698	Directors'	1,800	102
Prince of Wales Hotel, Nundah	10-Nov-03	3,395	Directors'	3,700	305
Redland Bay Hotel, Redland Bay	10-Nov-03	5,187	Directors'	5,500	313
Stones Corner Hotel, Stones Corner	10-Nov-03	5,376	Directors'	5,800	424
Vale Hotel Motel, Townsville	10-Nov-03	5,659	Directors'	6,100	441
Woree Tavern, Cairns	10-Nov-03	1,037	Directors'	1,100	63
Total Queensland Properties		167,195		179,600	12,405
South Australia					
Finsbury, Woodville North	10-Nov-03	1,603	Independent	1,800	197
Gepps Cross, Blair Athol	10-Nov-03	2,169	Independent	2,600	431
Stockade Tavern, Salisbury	10-Nov-03	4,433	Independent	5,200	767
Aberfoyle Hub, Aberfoyle Park	10-Nov-03	3,301	Directors'	3,800	499
Enfield, Clearview	10-Nov-03	2,452	Directors'	2,900	448
Eureka, Salisbury	10-Nov-03	3,301	Directors'	3,900	599
Exeter, Exeter	10-Nov-03	1,886	Directors'	2,200	314
Hendon, Royal Park	10-Nov-03	1,603	Directors'	1,800	197
Ramsgate, Henley Beach	10-Nov-03	3,773	Directors'	4,400	627
Total South Australian Properties		24,521		28,600	4,079

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
Victoria					
Victoria, Shepparton	05-Nov-03	2,264	Independent	2,400	136
Gateway, Corio	05-Nov-03	3,112	Independent	3,300	188
Ashley, Braybrook	05-Nov-03	3,961	Independent	4,300	339
Olinda Creek, Lilydale	05-Nov-03	3,961	Independent	4,400	439
Sandringham, Sandringham	05-Nov-03	4,527	Independent	4,800	273
Eltham, Eltham	05-Nov-03	4,716	Independent	5,000	284
Tudor Inn, Cheltenham	05-Nov-03	5,470	Independent	5,800	330
Vale, Mulgrave	05-Nov-03	5,564	Independent	5,900	336
Sandown Park, Noble Park	05-Nov-03	6,319	Independent	6,900	581
Deer Park, Deer Park	05-Nov-03	6,979	Independent	7,400	421
Plough, Mill Park	05-Nov-03	8,488	Independent	9,000	512
Mitcham, Mitcham	05-Nov-03	8,583	Independent	9,700	1,117
Keysborough, Keysborough	05-Nov-03	9,620	Independent	10,200	580
Burvale, Nunawading	05-Nov-03	9,714	Independent	10,300	586
Bayswater, Bayswater	05-Nov-03	9,903	Directors'	10,600	697
Blackburn, Blackburn	05-Nov-03	9,431	Directors'	10,100	669
Blue Bell, Wendouree	05-Nov-03	1,981	Directors'	2,100	119
Club Hotel, Ferntree Gully	05-Nov-03	5,093	Directors'	5,500	407
Cramers, Preston	05-Nov-03	8,300	Directors'	8,900	600
Daveys, Frankston	05-Nov-03	2,546	Directors'	2,800	254
Doncaster Hotel/Motel, Doncaster	05-Nov-03	12,166	Directors'	13,000	834
Elsternwick, Elwood	05-Nov-03	3,301	Directors'	3,500	199
Ferntree Gully Hotel/Motel, Ferntree Gully	05-Nov-03	4,716	Directors'	5,100	384
Mac's Melton, Melton	05-Nov-03	6,885	Directors'	7,400	515
Meadow Inn, Fawkner	05-Nov-03	8,111	Directors'	8,700	589
Morwell, Morwell	05-Nov-03	1,509	Directors'	1,600	91
Mountain View, Glen Waverly	05-Nov-03	7,168	Directors'	7,700	532
Pier, Frankston	05-Nov-03	8,017	Directors'	8,600	583
Prince Mark, Doveton	05-Nov-03	9,809	Directors'	10,500	691
Rifle Club, Williamstown	05-Nov-03	2,735	Directors'	2,900	165
Rose Shamrock & Thistle, Reservoir	05-Nov-03	2,641	Directors'	2,800	159
Royal Essendon, Essendon	05-Nov-03	4,338	Directors'	4,600	262
Royal Exchange, Traralgon	05-Nov-03	2,169	Directors'	2,300	131
Royal Sunbury, Sunbury	05-Nov-03	3,112	Directors'	3,400	288
Sandbelt Club, Moorabbin	05-Nov-03	10,846	Directors'	11,600	754
Somerville, Somerville	05-Nov-03	2,641	Directors'	2,800	159
Stamford, Rowville	05-Nov-03	12,732	Directors'	13,700	968
Sylvania, Campbellfield	05-Nov-03	5,376	Directors'	5,800	424
Village Green, Mulgrave	05-Nov-03	12,544	Directors'	13,500	956
Westmeadows, Westmeadows	05-Nov-03	2,735	Directors'	3,000	265
Young & Jackson, Melbourne	05-Nov-03	6,131	Directors'	6,500	369
Total Victorian Properties		250,214		268,400	18,186
Western Australia					
Sail & Anchor Hotel, Freemantle	10-Nov-03	3,112	Independent	3,300	188
Queens Tavern, Highgate	10-Nov-03	4,810	Directors'	5,100	290
Wanneroo Villa Tavern, Wanneroo	10-Nov-03	1,133	Directors'	1,200	67
Total Western Australian Properties		9,055		9,600	545
Total Investment Properties		509,741		550,200	40,459
Opening Revaluation Reserve					0
Closing Revaluation Reserve					40,459

NOTE 5 – DEVELOPMENT PROPERTY – LOANS, DEPOSITS AND COSTS (CONTINUED)

The Group has made loans equal to the estimated completion value of each property less deposits paid to Foster's Group Limited and receives monthly interest on the loans equal to the rent otherwise payable on the properties, as at 30 June 2004 the monthly interest payable was \$182,311 per month. This equates to a weighted average interest rate of 9.35% on the loan amount.

The Group will acquire legal title to each of these properties on completion of the relevant development at a price reflecting the completion value estimated at the November 2003 exchange of contracts. For properties where the scope of works definition was not finalised at exchange of conditional sale contracts (being Narrabeen Sands, Burleigh Heads and Parkway), a valuation will be undertaken once the development is complete and, if necessary, the purchase price will be adjusted down to reflect the value. If the completion valuation results in an increase in value there will be no adjustment to the purchase price.

Current and Non-Current Assets

The Caloundra Hotel and Narrabeen Sands developments are expected to be completed and the properties acquired by the Group by 30 June 2005 as a result the total loan amounts of \$11.746 million relating to these two properties are current assets i.e. the loans will be applied against the property acquisitions.

All other amounts are non-current assets due to expected development completions post 30 June 2005 for loan amounts or due to the fact that they will not be extinguished as a result of Group property acquisitions in the case of property deposits and pre-acquisition cost amounts.

NOTE 6 – PREPAYMENTS AND OTHER ASSETS

	Note	30 June 2004 \$'000
Current		
Corporate advisory services prepaid to 30 June 2005	(a)	174
Prepaid expenses		30
Other amounts due		45
Capitalised borrowing costs	(b)	5,769
		6,018
Non-Current		
Rental deposits		6
Capitalised borrowing costs	(b)	19,338
		19,344
Total		25,362

(a) On 10 November 2003 \$300,000 was paid to Macquarie Bank Limited for advisory services to be provided over the nineteen month period ending 30 June 2005. The Group has expensed eight months of this fee as at 30 June 2004.

(b) Reconciliation to the total fee:

Lead manager's incentive fee paid	28,800
Amount expensed period ending 30 June 2004	(3,691)
Closing balance 30 June 2004	25,109

Under the lead manager's incentive offer as originally agreed between the Foster's Group Limited and the lead manager, Macquarie Equity Capital Markets Limited, the manager was entitled to be issued with 48,000 stapled securities for each one tenth of a basis point by which the Group's weighted average interest rate on borrowings was less than 7.335% up to a maximum of 28.8 million stapled securities at 6.735%.

The 6.735% target was surpassed with the weighted average interest rate on borrowings for the Group being 6.524% fixed for five years to 10 November 2008.

The fee of \$28.8 million has been capitalised as a borrowing cost and will be expensed over the five year period to which it relates.

notes to the financial statements

NOTE 7 – EARNINGS PER STAPLED SECURITY

	Cents
Weighted average number of stapled securities used as the denominator	
– Basic earnings per stapled security	4.3
– Diluted earnings per stapled security	4.3
	No. of Securities
Weighted average number of stapled securities are used as the denominator in calculating basic earnings per stapled security	90,800,100
Weighted average number of stapled securities and potential stapled securities used as the denominator in calculating diluted earnings per stapled security	90,800,100

NOTE 8 – INTEREST BEARING LIABILITIES

	30 June 2004 \$'000
CMBS	330,000
ALE Notes on issue	150,000
	480,000

The CMBS borrowings are secured by, among other things, first ranking real property mortgages over all but four of the investment properties and have scheduled maturity dates of 10 November 2008 and final maturity dates of 10 November 2010. The ALE Notes are unsecured and have a maturity date of 30 September 2011.

The Group's variable interest rate exposure is fully hedged or fixed up until 10 November 2008 on current borrowings. This has been achieved by the use of variable rate borrowings swapped to fixed rates by interest rate swaps.

The Group's weighted average interest rate as at 30 June 2004 was:–

CMBS – \$230 million variable rate	6.210%
CMBS – \$100 million fixed rate	6.660%
CMBS – \$330 million weighted average of variable and fixed	6.346%
ALE Notes – \$150 million fixed	7.265%
Total weighted average interest rate of CMBS and ALE Notes	6.633%
Net impact of swaps – net \$230 million	(0.227%)
Total Group weighted average interest rate	6.524%

NOTE 9 – SEGMENT INFORMATION

Business Segment

The Group operates solely in the property investment and property funds management industry.

Geographical Segment

The Group owns property solely within Australia.

NOTE 10 – EVENTS OCCURRING AFTER REPORTING DATE

The directors are not aware of any significant events since the reporting date.

NOTE 11 – FULL FINANCIAL REPORT

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you. Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au.

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Group for the period ended 30 June 2004 as set out on pages 27 to 36 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2004.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the combined entity as the full financial report, which as indicated in Note 11, is available on request.

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

A handwritten signature in black ink, appearing to read 'P Warne', with a long, sweeping flourish extending to the right.

P Warne
Director

Sydney

Dated this 1st day of September 2004

independent audit report

TO THE STAPLED SECURITYHOLDERS OF AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY GROUP

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED CONCISE FINANCIAL REPORT

This audit report relates to the concise financial report of Australian Leisure and Entertainment Property Group (the Group) for the financial period ended 30 June 2004 included on Australian Leisure and Entertainment Property Group's web site. The Group's directors are responsible for the integrity of the Australian Leisure and Entertainment Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

AUDIT OPINION

In our opinion, the concise financial report of Australian Leisure and Entertainment Property Group for the period ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The concise financial report and directors' responsibility

The concise financial report comprises the combined statement of financial position, combined statement of financial performance, combined statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for Australian Leisure and Entertainment Property Group (the Group) for the period ended 30 June 2004.

The directors of Australian Leisure and Entertainment Property Management Limited are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the stapled securityholders of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the Group for the financial period ended 30 June 2004. Our audit report on the full financial report was signed on 30 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Sydney

1 September 2004

Mark Haberlin
Partner

Annual Concise Financial Report

FOR THE PERIOD 26 JUNE 2003 TO 30 JUNE 2004

Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

contents

directors' report **40**

discussion and analysis of statement of financial performance,
statement of financial position and statement of cash flows **44**

statement of financial performance **45**

statement of financial position **46**

statement of cash flows **47**

notes to the financial statements **48**

directors' declaration **49**

independent audit report to the shareholders **50**

directors' report

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the period from 26 June 2003 to 30 June 2004.

DIRECTORS

The following persons were directors of the Company from the date of their appointment and up until the date of this report unless otherwise stated:

Name	Appointed	Resigned
B R Howell	26 June 2003	10 September 2003
C Wheeler	26 June 2003	10 September 2003
J T McNally	26 June 2003	
P H Warne	8 September 2003	
J P Henderson	19 August 2003	
H I Wright	8 September 2003	

REVIEW OF OPERATIONS

The Company was incorporated on 26 June 2003 and is the responsible entity for the Australian Leisure and Entertainment Property Trust (the "Trust"). The Trust was constituted on 19 August 2003 and became a registered scheme on 3 September 2003. The Company and the Trust together form the ALE Property Group (the "Group").

The Company's operations have been consistent with its business objectives outlined in its prospectus and product disclosure statement dated 26 September 2003.

On 7 November 2003, \$90.8 million of stapled securities were issued by the Group. Each stapled security comprises one share in the Company and one unit in the Trust. The Stapled securities were issued at \$1.00 each, representing \$0.10 for each share and \$0.90 for each unit. The shares and the units are stapled together under the terms of the constitutions and cannot be traded separately.

The Group was admitted to the official list of the Australian Stock Exchange (ASX) on 10 November 2003 and the Group's stapled securities and ALE Notes were both listed on the ASX on 12 November 2003.

PRINCIPAL ACTIVITIES

During the period the principal activity of the Company consisted of property funds management and acting as responsible entity for the Trust.

A summary of the revenue and results are set out below:

	26 June 2003 to 30 June 2004 \$'000
Income	
Management fee income	996,548
Bank interest	2,997
	999,545
Expenses	
Operating expenses	1,196,088
Income tax (benefit)	(58,568)
Net Loss	(137,975)

DIVIDENDS

No provisions for dividends have been made by the Company as at 30 June 2004. As a result none have been paid or are payable as at 30 June 2004.

The following Directors of the Company have held or currently hold interests in the Group.

INFORMATION ON DIRECTORS

The following directors, specified executives and their associates held or currently hold interests in the Company.

Name	Director/Specified Executive	Balance at the Start of the Period	Purchase/ (Sales)	Number of Stapled Securities held at 30 June 2004
P H Warne	Director	0	453,400	453,400
H I Wright	Director	0	100,000	100,000
J P Henderson	Director	0	25,000	25,000
A F O Wilkinson	Specified Executive	0	31,998	31,998

INDEMNITIES OF OFFICERS

During the financial year, the Group paid a premium of \$40,746 to insure the directors and officers of the Company. The auditors of the Company are not indemnified out of the assets of the Company.

Under the constitution of the Company, current 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.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors held during the period to 30 June 2004 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board Meeting		Audit, Compliance and Risk Management Committee Meeting	
	Held ¹	Attended	Held ¹	Attended
B R Howell	1	1	–	–
C Wheeler	1	1	–	–
J T McNally	15	15	–	–
J P Henderson	14	14	4	4
P H Warne	14	12	4	4
H I Wright	14	11	4	3

1 "Held" reflects the number of meetings which the director was eligible to attend.

directors' report

DIRECTORS' AND SPECIFIED EXECUTIVES' EMOLUMENTS

Non-executive and executive directors' fees are determined by the board.

The current maximum aggregate amount that may be paid in directors fees must not exceed \$335,000 per annum being, \$260,000 for non-executive directors and \$75,000 for the executive director (inclusive of responsible officer fee). The maximum aggregate amount payable to non-executive directors can only be increased at a general meeting of the Company.

Total directors' fees paid for the period ending 30 June 2004 were \$262,316.

On appointment, each executive is required to enter into a standard Executive Employment Agreement. Executive remuneration levels are approved by the board and are determined by reference to current market levels and employee performance.

The executive remuneration structure currently includes salary, superannuation guarantee contributions and performance related benefits. Where considered appropriate by the board, executive staff may also be offered options in the Group.

Details of the nature and amount of each element of the emoluments of each director of the Company and each specified executive of the Company, paid or payable by the Company are set out in the following tables:

NON-EXECUTIVE DIRECTORS OF THE COMPANY

Name	Period	Directors' Base Fee	Superannuation Contributions	Total
C Wheeler	26/06/03 – 10/09/03	0	0	0
J P Henderson	19/08/03 – 30/06/04	60,586	0	60,586
P H Warne	08/09/03 – 30/06/04	89,430	8,049	97,479
H I Wright	08/09/03 – 30/06/04	52,065	4,686	56,751
Sub-total non-executive directors		202,081	12,735	214,816

EXECUTIVE DIRECTORS OF THE COMPANY

Name	Period	Directors' Base Fee	Superannuation Contributions	Total
J T McNally	26/06/03 – 30/06/04	47,500	0	47,500
B R Howell	26/06/03 – 10/09/03	0	0	0
Sub-total executive directors		47,500	0	47,500
Total – all directors of the Company		249,581	12,375	262,316

B R Howell's and J T McNally's fees prior to 10 November 2003, were paid directly by the Foster's Group Limited and are not included in the amounts above.

SPECIFIED EXECUTIVES OF THE COMPANY

Name	Period	Base Salary	Superannuation Contributions	Options	Short Term Incentive	Total
A F O Wilkinson	24/11/03 – 30/06/04	118,141	10,633	4,083	30,000	162,857
D Barkas	29/01/04 – 30/06/04	57,805	5,202	0	7,500	70,507
B R Howell	11/09/03 – 30/06/04	47,500	0	0		47,500
Total		223,446	15,835	4,083	37,500	280,864

B R Howell's fees, prior to 10 November 2003, were paid directly by Foster's Group Limited and are not included in the amounts above.

The specified executives held the following positions in the Group:

A F O Wilkinson is the Chief Executive Officer.

D Barkas is the Property Trust Manager.

B R Howell is the Company Secretary.

Specified executives are defined as the persons who report or are responsible to the board or to the Chief Executive Officer for the strategic direction and operational management of the Group.

STAPLED SECURITIES OPTIONS GRANTED

Options over unissued stapled securities of the Group were granted during the financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Andrew Wilkinson has the right to subscribe for up to 300,000 stapled securities at a fixed price of \$1.036 exercisable from 10 November 2006 or earlier if Mr Wilkinson's employment is terminated for other than cause or unsatisfactory performance. The options will remain exercisable for a period ending 10 November 2007, unless the Group was subject to a take over in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executives' remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of \$21,000 at grant date has been independently determined by taking the average of using a Black-Scholes option pricing model and the mid-point determined by a binomial option pricing model. These techniques take 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 option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

ENVIRONMENTAL REGULATION

Whilst the Company is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

COMPARATIVE AMOUNTS

This Company commenced operations in the current reporting period, as a result no comparative information is available for disclosure in the financial report.

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 period, other than those changes otherwise identified in this financial report.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

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

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



P Warne
Director
Sydney

Dated this 1st day of September 2004

discussion and analysis of the company's financial statements

The following commentary is to assist shareholders in reviewing and interpreting the results of the Company for the period ended 30 June 2004.

STATEMENT OF FINANCIAL PERFORMANCE

Net loss after tax was \$137,975. The material aspects of the actual result were:

- Interest and expense reimbursements from the Trust were \$999,545.
- Management costs – the total for the period was \$1,196,088 and included salaries and directors expenses, audit, advisory and legal fees and a range of other expenses incurred in managing the affairs of the Group.
- All costs incurred prior to listing were reimbursed by Foster's Group Limited.
- Taxation benefit of \$58,568 arising from the loss in the Company.
- The reimbursements in the current period did not fully recover the management costs due to minor timing differences.

STATEMENT OF FINANCIAL POSITION

Total Assets were \$10,157,792 as at 30 June 2004.

During the period the Company, as part of the IPO, raised \$9,080,010 of share equity to fund the acquisition of \$9,080,000 of No Income Voting Units (NIVUS) in the Trust.

At 30 June the Company held \$107,470 of cash at bank to provide for the Company's day to day liquidity requirements.

Net asset per share issued at 30 June 2004 was \$0.10.

STATEMENT OF CASH FLOWS

Significant cash movements reflect the establishment of the Company during the year.

Net cash flows from operating activities include the payment of the Company's expenses incurred in managing the affairs of the Group and the reimbursement of these expenses from the Trust during the period.

Net cash flows from investing activities was a significant outflow relating to the purchase of \$9,080,000 of NIVUS in the Trust, issued for cash consideration of \$6,200,000 and non cash consideration of \$2,880,000. There were also some minor equipment acquisitions.

Net cash flows from financing activities was a significant inflow relating to the issue of \$9,080,010 of shares to stapled security holders for cash consideration of \$6,200,010 and non cash consideration of \$2,880,000. There was also a loan from the Trust.

A further issue of ordinary share equity of \$2,880,000 was made to Macquarie Equity Capital Markets Limited in consideration of the lead manager's incentive offer, which the Company used to acquire \$2,880,000 of NIVUS in the Trust. Accordingly these amounts were not included in the cash flows from investing activities and financing activities.

statement of financial performance

FOR THE PERIOD FROM 26 JUNE 2003 TO 30 JUNE 2004

	Note	26 June 2003 to 30 June 2004 \$
Revenue and expenses from ordinary activities		
Management fees		996,548
Interest income		2,997
Total revenue from ordinary activities		999,545
Salaries and directors' expenses		540,398
Auditor's remuneration		159,750
Legal fees		73,069
Risk / Debt Management		86,075
Insurance for directors and officers		40,746
Annual reports		55,000
Registry fees		36,775
Public relations		34,303
Systems		26,455
Rent – premises		25,570
Accounting fees		17,593
Corporate advisory services		8,400
Depreciation		3,514
Other expenses		88,440
Total expenses from ordinary activities		1,196,088
Loss from ordinary activities before income tax benefit		(196,543)
Income tax benefit		58,568
Net loss after income tax attributable to shareholders of the Company		(137,975)
Total changes in equity attributable to shareholders of the Company other than those resulting from transactions with shareholders as owners		(137,975)
		Cents
Basic and diluted earnings per share	3	(0.15)
Dividends paid and payable per share	2	–

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

statement of financial position

AS AT 30 JUNE 2004

	30 June 2004 \$
Current Assets	
Cash assets	107,470
Receivables	201,566
Receivables from related parties	646,548
Prepayments and other assets	41,127
Total Current Assets	996,711
Non-Current Assets	
Deferred tax asset	58,568
Receivables	5,958
Plant & equipment	16,545
Investment in related party	9,080,010
Total Non-Current Assets	9,161,081
Total Assets	10,157,792
Current Liabilities	
Payables	468,154
Provisions	34,931
Loans from related parties	712,672
Total Current Liabilities	1,215,757
Total Liabilities	1,215,757
Net Assets	8,942,035
Equity	
Contributed Equity	9,080,010
Retained Earnings	(137,975)
Total Equity	8,942,035
Net Assets per Share	\$0.10

The above Statement of Financial Position should be read in conjunction with the accompanying notes

statement of cash flows

FOR THE PERIOD FROM 26 JUNE 2003 TO 30 JUNE 2004

26 June 2003
to 30 June 2004
\$

Cash flows from operating activities	
Payments to suppliers and employees (inclusive of Goods and Services Tax)	(937,183)
Interest received	2,040
Net cash flows from operating activities	(935,143)
Cash flows from investing activities	
Payments for investments	(6,200,010)
Payment for Property, Plant and Equipment	(20,059)
Net cash flows used in investing activities	(6,220,069)
Cash flows from financing activities	
Proceeds from issue of shares	6,200,000
Proceeds of borrowings from related parties	1,062,672
Net cash flows from financing activities	7,262,682
Net increase in cash held	107,470
Cash at beginning of the financial period	–
Cash at the end of the financial period	107,470
Non-cash investing activities	2,880,000
Non-cash financing activities	2,880,000

The Company has issued \$9,080,010 of shares as at 30 June 2004, however, cash proceeds from the issue were only \$6,200,010. The difference of \$2,880,000 is a non-cash item and relates to shares issued to the lead manager in part satisfaction of a \$28,800,000 fee (exclusive of GST) payable to the lead manager by the Company under the lead manager's incentive offer.

The Company was issued \$9,080,000 of No Income Voting Units (NIVUS) in the Trust for cash consideration of \$6,200,000 and non cash consideration of \$2,880,000.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

notes to the financial statements

NOTE 1 – BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the financial period. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

26 June 2003
to 30 June 2004
\$

NOTE 2 – DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

Final dividend for period ended 30 June 2004 nil cents per fully paid share

–

Total dividends provided or paid

–

NOTE 3 – EARNINGS PER SHARE

Cents

– Basic earnings/(loss) per share

(0.15)

– Diluted earnings/(loss) per share

(0.15)

No. of Securities

Weighted average number of shares used as the denominator
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

90,800,100

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

90,800,100

NOTE 4 – SEGMENT INFORMATION

Business Segment

The Company operates solely in the property funds management industry.

Geographical Segment

The Company operates solely within Australia.

NOTE 5 – EVENTS OCCURRING AFTER REPORTING DATE

The directors are not aware of any significant events since the reporting date.

NOTE 6 – FULL FINANCIAL REPORT

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you.

Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au.

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Company for the period ended 30 June 2004 as set out on pages 44 to 48 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the period ended 30 June 2004.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report, which as indicated in Note 6, is available on request.

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

A handwritten signature in black ink, appearing to read 'P Warne', with a long, sweeping flourish extending to the right.

P Warne
Director

Sydney

Dated this 1st day of September 2004

independent audit report

TO THE MEMBERS OF AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY MANAGEMENT LIMITED

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED CONCISE FINANCIAL REPORT

This audit report relates to the concise financial report of Australian Leisure and Entertainment Property Management Limited (the company) for the financial period ended 30 June 2004 included on Australian Leisure and Entertainment Property Group's web site. The company's directors are responsible for the integrity of the Australian Leisure and Entertainment Property Group web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

AUDIT OPINION

In our opinion, the concise financial report of Australian Leisure and Entertainment Property Management Limited for the period ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for Australian Leisure and Entertainment Property Management Limited (the company) for the period ended 30 June 2004.

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the company for the financial period ended 30 June 2004. Our audit report on the full financial report was signed on 30 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers

Sydney

1 September 2004



Mark Haberlin
Partner

Annual Concise Financial Report

FOR THE PERIOD 19 AUGUST 2003 TO 30 JUNE 2004

Australian Leisure and Entertainment Property Trust

ARSN 106 063 049

contents

directors' report 52

discussion and analysis of consolidated statements
of financial performance, financial position and cash flows 57

consolidated statement of financial performance 58

consolidated statement of financial position 59

consolidated statement of cash flows 60

notes to the consolidated financial statements 61

directors' declaration 68

independent audit report to the unitholders 69

directors' report

The directors of Australian Leisure and Entertainment Property Management Limited (the "Company") as Responsible Entity for Australian Leisure and Entertainment Trust (the "Trust") present their report for the Trust and its controlled entities (the "Consolidated Entity") for the period from 19 August 2003 to 30 June 2004.

This report includes the consolidated results of the Trust and its wholly owned trust, Australian Leisure and Entertainment Direct Property Trust, and its wholly owned special financing vehicle Australian Leisure and Entertainment Finance Company Pty Ltd.

The Company and the Trust together form the ALE Property Group (the "Group").

DIRECTORS

The following persons were directors of the Company from the date of their appointment and up until the date of this report unless otherwise stated:

Name	Appointed	Resigned
B R Howell	26 June 2003	10 September 2003
C Wheeler	26 June 2003	10 September 2003
J T McNally	26 June 2003	
J P Henderson	19 August 2003	
P H Warne	8 September 2003	
H I Wright	8 September 2003	

REVIEW OF OPERATIONS

The Company was incorporated on 26 June 2003. The Trust was constituted on 19 August 2003 and became a registered managed investment scheme on 3 September 2003. The Trust's operations have been consistent with its business objectives outlined in its product disclosure statement dated 26 September 2003. The Trust first became entitled to rental income on investment properties from 5 November 2003.

On 7 November 2003, \$90.8 million of stapled securities were issued by the Group. Each stapled security comprises one share in the Company and one unit in the Trust. The Stapled securities were issued at \$1.00 each, representing \$0.10 for the share and \$0.90 for the unit. The shares and the units are stapled together under the terms of their respective constitutions and cannot be traded separately.

On 7 November 2003 the Consolidated Entity issued \$150 million of unsecured, subordinated, cumulative, redeemable loan notes ("ALE Notes"). The ALE Notes were issued by the Consolidated Entity at \$100 per ALE Note for a total of \$150 million.

On 10 November 2003 the Consolidated Entity issued \$330 million of commercial mortgage backed securities ("CMBS") with initial maturities of five years. The CMBS comprised \$100 million of fixed rate borrowings and \$230 million of variable rate borrowings.

The Consolidated Entity's total variable rate borrowings exposure of \$230 million was fully hedged to maturity by the use of interest rate swaps ("swaps"). A total weighted average interest rate of 6.524%, effectively fixed for five years from issue, for the Consolidated Entity's \$480 million of borrowings was achieved.

The Group was admitted to the official list of the Australian Stock Exchange (ASX) on 10 November 2003 and the Group's stapled securities and ALE Notes were both listed on the ASX on 12 November 2003.

Net assets per unit as at 30 June 2004 are \$1.42.

PRINCIPAL ACTIVITIES

During the period the principal activity of the Trust and its controlled entities consisted of investment in property.

There has been no significant change in these activities during the period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Trust will continue to maintain its defined strategy of identifying opportunities to increase the profitability of the Trust and its net asset value. The Trust is required to adopt International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board for reporting periods beginning on or after 1 January 2005. A summary of how the Consolidated Entity is managing this transition and what the likely impacts will be is contained in Note 28 of the Financial Statements (of the full financial report).

A summary of the consolidated revenue and results are set out below:

	19 August 2003 to 30 June 2004 \$'000
Income	
Property rents and loan interest	29,479
Bank interest	712
	30,191
Expenses	
Borrowing costs	24,233
Land tax expenses	545
Other expense	1,365
	26,143
Income tax benefit	8
Net Income	4,040

As a result of all of the property leases being "triple net" the Consolidated Entity has had minimal direct property outgoings other than land tax on the Queensland properties.

DISTRIBUTIONS & DIVIDENDS

A provision for trust distributions of \$6,810,008 has been provided for by the Trust as at 30 June 2004.

The following directors and specified executives held or currently hold interests either directly or indirectly in the Group.

Name	Director/Specified Executive	Balance at the Start of the Period	Purchase/ (Sales)	Number of Stapled Securities held at 30 June 2004
P H Warne	Director	0	453,400	453,400
H I Wright	Director	0	100,000	100,000
J P Henderson	Director	0	25,000	25,000
A F O Wilkinson	Specified Executive	0	31,998	31,998

INDEMNITIES OF OFFICERS

During the financial year, the Company paid a premium of \$40,746 to insure the directors and officers of the Company. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

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.

directors' report

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of directors (as Responsible Entity) held during the period to 30 June 2004 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board Meeting		Audit, Compliance and Risk Management Committee Meeting	
	Held ¹	Attended	Held ¹	Attended
B R Howell	1	1	–	–
C Wheeler	1	1	–	–
J T McNally	15	15	–	–
J P Henderson	14	14	4	4
P H Warne	14	12	4	4
H I Wright	14	11	4	3

¹ "Held" reflects the number of meetings which the director was eligible to attend.

DIRECTORS' AND SPECIFIED EXECUTIVES' EMOLUMENTS

Non-executive and executive directors' fees are determined by the board.

The current maximum aggregate amount that may be paid in directors fees must not exceed \$335,000 being, \$260,000 per annum for non-executive directors and \$75,000 for the executive director (inclusive of responsible officer fee). The maximum amount for non-executive directors can only be increased at a general meeting of the Company.

Total directors' fees paid for the period ending 30 June 2004 were \$262,316.

On appointment, each executive is required to enter into a standard Executive Employment Agreement. Executive remuneration levels are approved by the board and are determined by reference to current market levels and employee performance.

The executive remuneration structure currently includes salary, superannuation guarantee contributions and performance related benefits. Where considered appropriate by the board, executive staff may also be offered options in the Group.

Details of the nature and amount of each element of the emoluments of each director of the Company and each specified executive of the Company, paid or payable by the Company are set out in the following tables:

NON-EXECUTIVE DIRECTORS OF THE COMPANY

Name	Period	Directors' Base Fee	Superannuation Contributions	Total
C Wheeler	26/06/03 – 10/09/03	0	0	0
J P Henderson	19/08/03 – 30/06/04	60,586	0	60,586
P H Warne	08/09/03 – 30/06/04	89,430	8,049	97,479
H I Wright	08/09/03 – 30/06/04	52,065	4,686	56,751
Sub-total non-executive directors		202,081	12,735	214,816

EXECUTIVE DIRECTORS OF THE COMPANY

Name	Period	Directors' Base Fee	Superannuation Contributions	Total
J T McNally	26/06/03 – 30/06/04	47,500	0	47,500
B R Howell	26/06/03 – 10/09/03	0	0	0
Sub-total executive directors		47,500	0	47,500
Total – all directors of the Group		249,581	12,375	262,316

B R Howell's and J T McNally's fees prior to 10 November 2003, were paid directly by Foster's Group Limited and are not included in the amounts above.

SPECIFIED EXECUTIVES OF THE COMPANY

Name	Period	Base Salary	Superannuation Contributions	Options	Short Term Incentive	Total
A F O Wilkinson	24/11/03 – 30/06/04	118,141	10,633	4,083	30,000	162,857
D Barkas	29/01/04 – 30/06/04	57,805	5,202	0	7,500	70,507
B R Howell	11/09/03 – 30/06/04	47,500	0	0		47,500
Total		223,446	15,835	4,083	37,500	280,864

B R Howell's fees, prior to 10 November 2003, were paid directly by Foster's Group Limited and are not included in the amounts above.

The specified executives held the following positions in the Company:

A F O Wilkinson is the Chief Executive Officer.

D Barkas is the Property Trust Manager.

B R Howell is the Company Secretary.

Specified executives are defined as the persons who report or are responsible to the board or to the Chief Executive Officer for the strategic direction and operational management of the Trust.

NON-EXECUTIVE DIRECTOR OF A SUBSIDIARY BOARD

Name	Period	Base Salary	Superannuation Contributions	Short Term Incentive	Total
G MacLaren	01/10/03 – 30/06/04	15,000	0	0	15,000

G MacLaren is a director of ALE Finance Company Pty Limited which is a controlled entity of the Trust.

STAPLED SECURITIES OPTIONS GRANTED

Options over unissued stapled securities of the Group were granted during the financial period to Andrew Wilkinson as disclosed in an ASX Announcement dated 10 November 2003. Andrew Wilkinson has the right to subscribe for up to 300,000 stapled securities at a fixed price of \$1.036 exercisable from 10 November 2006 or earlier if Mr Wilkinson's employment is terminated other than for cause or unsatisfactory performance. The options will remain exercisable for a period ending 10 November 2007, unless the Group was subject to a take over in which case the period of exercise would be reduced to 11 February 2007.

The options value disclosed above as part of specified executives' remuneration is the assessed fair value at grant date of options granted, allocated equally over the period from grant date to vesting date. The fair value of \$21,000 at grant date has been independently determined by taking the average of using a Black-Scholes option pricing model and the mid-point determined by a binomial option pricing model. These techniques take 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 option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

ENVIRONMENTAL REGULATION

Whilst the Consolidated Entity is subject to significant environmental regulation in respect of its property activities, the directors of the Company are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

directors' report

COMPARATIVE AMOUNTS

This Trust commenced operations in the current reporting period, as a result no comparative information is available for disclosure in the financial report.

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 Consolidated Entity that occurred during the period, other than those changes otherwise identified in this financial report.

MATTERS SUBSEQUENT TO THE END OF THE PERIOD

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

ROUNDING OF AMOUNTS

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial 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.



P Warne
Director

Sydney

Dated this 1st day of September 2004

discussion and analysis of the consolidated financial statements

The following commentary is to assist unitholders in reviewing and interpreting the results of the Trust and Consolidated Entity for the period ending 30 June 2004.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Net profit after tax was \$4,040,000. As the Prospectus/PDS issued by the Group in September 2003 ("PDS") only made forecasts in respect of the Group, the key aspects of the Consolidated Entity actual results were:

- Interest income – interest income was \$2,723,000. This comprised \$2,011,000 of interest income from the loans to Foster's Group Limited relating to the development properties. In addition, \$712,000 of interest income was derived from higher cash balances resulting from cost control and management of cash flow along with effective investment of those balances.
- Management costs – payments of \$997,000 to the Company represent a reimbursement of their expenses with small adjustments for timing differences.
- Land tax – our land tax expenses of \$545,000 in relation to our Queensland properties. It is less than expected due to the delayed completion of some of our development properties.
- Interest expense – our fully hedged weighted average interest rate established at IPO was 6.524%, some 0.211% below the lowest end of the indicative range in the PDS. This reduced rate and other one off differences such, as a 3 day delay from the assumed CMBS drawdown date in the PDS, produced a \$886,000 (or 4%) reduction in borrowing costs before amortisation to \$20,542,000.

The amortisation of prepaid borrowing costs during the period amounted to \$3,691,000 leaving an unamortised balance of \$25,109,000 to be expensed over the next 4 years (Note 6 contains further information).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total Assets were \$625,171,000 as at 30 June 2004.

During the period the Consolidated Entity, as part of the IPO, raised \$90,800,100 of unit equity and \$480,000,000 of CMBS and ALE Notes debt. This enabled both the acquisition from the Foster's Group Limited of 101 completed properties and advances back to the Foster's Group Limited in respect of the 4 remaining development properties for a combined amount of \$536.2 million (inclusive of acquisition costs).

The \$90,800,000 of unit equity was comprised of \$81,720,000 of units issued as part of the stapled securities to our investors and \$9,080,000 of no income voting units (NIVUS) to the Company.

The Consolidated Entity has fixed, through the use of swaps and fix rate debt, the overall costs of debt raised at a rate of 6.524% p.a. As mentioned above, this was less than the range of interest rates forecast in the PDS. The debt is 100% hedged through to November 2008 and then partially through to September 2011.

Net assets per ordinary unit and NIVUS units issued at 30 June 2004 was \$1.42.

CONSOLIDATED STATEMENT OF CASH FLOWS

Significant cash movements reflect the establishment of the Trust during the year.

Net cash flows from operating activities include the rent earned on the portfolio, the interest earned on cash balances held by the Trust and the payment of interest expenses on the Trust's borrowings.

Net cash flows from investing activities was a significant outflow relating to:

- the purchase during the period of a portfolio of 101 investment properties for \$509,741,000.
- deposits on the remaining four development properties of \$2,600,000.
- loans to Foster's Group Limited in relation to the remaining four development properties of \$23,409,000.
- acquisition costs of \$450,000 on the remaining four development properties.

Net cash flows from financing activities was a significant inflow relating to the issue of \$330,000,000 of CMBS, \$150,000,000 of ALE Notes, \$55,800,000 million of stapled security equity and \$6,200,000 of NIVUS unit equity to the Company.

As a non-cash financing activity, the Trust also issued \$28,800,000 of securities comprising:

- \$25,920,000 of unit equity to Macquarie Equity Capital Markets Limited (MECML), and
- \$2,880,000 of NIVUS unit equity to the Company, who in turn issued \$2,880,000 of ordinary equity to MECML in satisfaction of the \$28,800,000 payable under the lead manager's incentive offer.

consolidated statement of financial performance

FOR THE PERIOD FROM 19 AUGUST 2003 TO 30 JUNE 2004

	Note	19 August 2003 to 30 June 2004
Revenue and expenses from ordinary activities		
Property rental income and loan interest	2	29,479
Interest income	2(a)	712
Total revenue from ordinary activities		30,191
Borrowing costs excluding amortisation		20,542
Borrowing costs (non-cash) amortisation		3,691
Land tax expense		545
Salaries and directors' expenses		15
Management fees paid		997
Other expenses		353
Total expenses from ordinary activities		26,143
Profit from ordinary activities before income tax expenses		4,048
Income tax expense		8
Net profit after income tax expenses attributable to unitholders of the Trust		4,040
Net increase in asset revaluation reserve	4	40,459
Total revenues, expenses and valuation adjustments attributable to unitholders recognised directly in unitholders' funds		40,459
Total changes in equity other than those resulting from transactions with unitholders as owners		44,499
Statement of Distribution		
Net profit attributable to members of the Trust		4,040
Undistributed income at the beginning of the financial period.		
Transfer from contributed equity		2,790
Total available for distribution		6,830
Distributions paid and payable		(6,810)
Undistributed income at the end of the financial period		20
		Cents
Basic and diluted earnings per unit	7	4.4
Distribution per unit held for the full period	3	7.5

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes.

consolidated statement of financial position

AS AT 30 JUNE 2004

	Note	30 June 2004 \$'000
Current Assets		
Cash assets		22,983
Receivables		240
Prepayments and other assets	6	5,777
Development property – loans, deposits and costs	5	11,746
Total current assets		40,746
Non-Current Assets		
Property investments	4	550,200
Development property – loans deposits and costs	5	14,713
Prepayments and other assets	6	19,512
Total non-current assets		584,425
Total assets		625,171
Current Liabilities		
Payables		9,251
Provisions		6,810
Deferred income tax liability		8
Other		309
Total current liabilities		16,378
Non-current Liabilities		
Interest bearing liabilities	8	480,000
Other		304
Total non-current liabilities		480,304
Total liabilities		496,682
Net Assets		128,489
Unitholders' funds		
Units on issue		88,010
Reserves		40,459
Undistributed funds		20
Total Unitholders' funds		128,489
Net assets per unit		\$1.42

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

consolidated statement of cash flows

FOR THE PERIOD FROM 26 JUNE 2003 TO 30 JUNE 2004

19 August 2003 to
30 June 2004
\$'000

Cash flows from operating activities	
Receipts from customers (inclusive of goods and services tax)	30,215
Payments to suppliers and employees (inclusive of goods and services tax)	(407)
Foster's Group Limited – recovery of payments to suppliers	447
Interest received	2,558
Borrowing costs	(14,568)
Net cash flows from operating activities	18,245
Cash flows from investing activities	
Acquisition of property investments	(509,741)
Deposits paid on property investments	(2,600)
Pre-acquisition costs on property investments	(450)
Loan to Foster's Group Limited	(23,409)
Loan to related parties	(1,062)
Net cash flows used in investing activities	(537,262)
Cash flows from financing activities	
Proceeds from issue of units	62,000
Proceeds from interest bearing liabilities	480,000
Net cash flows from financing activities	542,000
Net increase in cash held	22,983
Cash at beginning of the financial period	–
Cash at the end of the financial period	22,983
Non-cash financing activities	28,800

\$90,800,100 of units were issued as at 30 June 2004, however, cash proceeds from the issue of units was only \$62,000,100. The difference of \$28,800,000 is a non-cash item and related to stapled securities issued to the lead manager in satisfaction of a \$28,800,000 fee (GST exclusive) payable under the lead manager's incentive offer.

Note 6 "Prepayments and Other Assets" contains further information on the manager's incentive fee.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

notes to the financial statements

NOTE 1 – BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The consolidated concise financial report has been prepared in accordance with the requirements of Accounting Standard AASB1039 "Concise Financial Reports", applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial statements and specific disclosures included in the consolidated concise financial report have been derived from the consolidated full financial report for the financial period. The consolidated concise financial report cannot be expected to provide as full an understanding of the consolidated financial performance, consolidated financial position and financing and investing activities of the Consolidated Entity as the full financial report.

	Note	19 August 2003 to 30 June 2004 \$'000
NOTE 2 – REVENUE		
Operating activities		
Rental income		27,468
Interest received on loans to Foster's Group Limited		2,011
Interest income	2(a)	712
		<u>30,191</u>
(a) Interest income from:		
Other Parties		712
		<u>712</u>
NOTE 3 – DISTRIBUTIONS PAID OR PROVIDED FOR ON UNITS		
Final distribution (7.5 cents per unit)		6,810
		<u>6,810</u>
Distribution for the period ended 30 June 2004		
		<u>6,810</u>

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
New South Wales					
Smithfield Tavern, Smithfield	05-Nov-03	4,150	Independent	4,500	350
Blacktown Hotel, Blacktown	05-Nov-03	5,470	Independent	5,800	330
Kirribilli Hotel, Kirribilli	05-Nov-03	5,847	Independent	6,400	553
Crows Nest Hotel, Crows Nest	05-Nov-03	8,771	Independent	9,600	829
Brown Jug Hotel, Fairfield Heights	05-Nov-03	5,659	Directors'	6,200	541
Colyton Hotel, Colyton	05-Nov-03	8,205	Directors'	8,900	695
Melton Hotel, Auburn	05-Nov-03	3,112	Directors'	3,400	288
New Brighton Hotel, Manly	05-Nov-03	8,865	Directors'	9,700	835
Pioneer Hotel, Penrith	05-Nov-03	5,847	Directors'	6,400	553
Pymble Hotel, Pymble	05-Nov-03	2,830	Directors'	3,100	270
Total New South Wales Properties		58,756		64,000	5,244

notes to the financial statements

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
Queensland					
Racehorse Hotel, Booval	10-Nov-03	1,792	Independent	2,100	308
Edinburgh Castle Hotel, Kedron	10-Nov-03	3,112	Independent	3,300	188
Mt Gravatt Hotel, Mount Gravatt	10-Nov-03	3,207	Independent	3,300	93
Alderley Arms Hotel, Alderley	10-Nov-03	3,301	Independent	3,500	199
Holland Park Hotel, Holland Park	10-Nov-03	3,773	Independent	3,900	127
Four Mile Creek, Strathpine	10-Nov-03	3,672	Independent	4,300	628
Pelican Waters, Caloundra	10-Nov-03	4,237	Independent	4,500	263
Anglers Arms Hotel, Southport	10-Nov-03	4,433	Independent	4,600	167
Wilsonton Hotel, Toowoomba	10-Nov-03	4,527	Independent	4,900	373
Oxford 152, Bulimba	10-Nov-03	4,999	Independent	5,700	701
Royal Exchange Hotel, Toowong	10-Nov-03	5,753	Independent	6,000	247
Sunnybank Hotel, Sunnybank	10-Nov-03	8,205	Independent	8,700	495
Springwood Hotel, Springwood	10-Nov-03	9,148	Independent	10,000	852
Albany Creek Tavern, Albany Creek	10-Nov-03	8,394	Directors'	9,000	606
Albion Hotel, Albion	10-Nov-03	4,433	Directors'	4,800	367
Balaclava Hotel, Cairns	10-Nov-03	3,301	Directors'	3,500	199
Banyo Tavern, Nudgee	10-Nov-03	3,018	Directors'	3,200	182
Breakfast Creek Hotel, Breakfast Creek	10-Nov-03	10,657	Directors'	11,500	843
Camp Hill Hotel, Camp Hill	10-Nov-03	2,264	Directors'	2,400	136
Chardons Corner Hotel, Annerly	10-Nov-03	1,415	Directors'	1,500	85
Dalrymple Hotel, Townsville	10-Nov-03	3,207	Directors'	3,500	293
Ferry Grove Tavern, Ferry Grove	10-Nov-03	5,847	Directors'	6,200	353
Hamilton Hotel, Hamilton	10-Nov-03	6,602	Directors'	7,100	498
Imperial Hotel, Beenleigh	10-Nov-03	2,452	Directors'	2,700	248
Kedron Park Hotel, Kedron Park	10-Nov-03	2,264	Directors'	2,400	136
Kirwan Tavern, Townsville	10-Nov-03	4,433	Directors'	4,800	367
Lawnton Tavern, Lawnton	10-Nov-03	4,433	Directors'	4,700	267
Miami Hotel, Miami	10-Nov-03	4,055	Directors'	4,300	245
Mount Pleasant Tavern, Mackay	10-Nov-03	1,792	Directors'	1,900	108
Newmarket Hotel, Cairns	10-Nov-03	2,358	Directors'	2,500	142
Noosa Reef Hotel, Noosa Heads	10-Nov-03	6,874	Directors'	7,400	526
Palm Beach Hotel, Palm Beach	10-Nov-03	6,885	Directors'	7,400	515
Petrie Hotel, Petrie	10-Nov-03	1,698	Directors'	1,800	102
Prince of Wales Hotel, Nundah	10-Nov-03	3,395	Directors'	3,700	305
Redland Bay Hotel, Redland Bay	10-Nov-03	5,187	Directors'	5,500	313
Stones Corner Hotel, Stones Corner	10-Nov-03	5,376	Directors'	5,800	424
Vale Hotel Motel, Townsville	10-Nov-03	5,659	Directors'	6,100	441
Woree Tavern, Cairns	10-Nov-03	1,037	Directors'	1,100	63
Total Queensland Properties		167,195		179,600	12,405

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
South Australia					
Finsbury, Woodville North	10-Nov-03	1,603	Independent	1,800	197
Gepps Cross, Blair Athol	10-Nov-03	2,169	Independent	2,600	431
Stockade Tavern, Salisbury	10-Nov-03	4,433	Independent	5,200	767
Aberfoyle Hub, Aberfoyle Park	10-Nov-03	3,301	Directors'	3,800	499
Enfield, Clearview	10-Nov-03	2,452	Directors'	2,900	448
Eureka, Salisbury	10-Nov-03	3,301	Directors'	3,900	599
Exeter, Exeter	10-Nov-03	1,886	Directors'	2,200	314
Hendon, Royal Park	10-Nov-03	1,603	Directors'	1,800	197
Ramsgate, Henley Beach	10-Nov-03	3,773	Directors'	4,400	627
Total South Australian Properties		24,521		28,600	4,079
Victoria					
Victoria, Shepparton	05-Nov-03	2,264	Independent	2,400	136
Gateway, Corio	05-Nov-03	3,112	Independent	3,300	188
Ashley, Braybrook	05-Nov-03	3,961	Independent	4,300	339
Olinda Creek, Lilydale	05-Nov-03	3,961	Independent	4,400	439
Sandringham, Sandringham	05-Nov-03	4,527	Independent	4,800	273
Eltham, Eltham	05-Nov-03	4,716	Independent	5,000	284
Tudor Inn, Cheltenham	05-Nov-03	5,470	Independent	5,800	330
Vale, Mulgrave	05-Nov-03	5,564	Independent	5,900	336
Sandown Park, Noble Park	05-Nov-03	6,319	Independent	6,900	581
Deer Park, Deer Park	05-Nov-03	6,979	Independent	7,400	421
Plough, Mill Park	05-Nov-03	8,488	Independent	9,000	512
Mitcham, Mitcham	05-Nov-03	8,583	Independent	9,700	1,117
Keysborough, Keysborough	05-Nov-03	9,620	Independent	10,200	580
Burvale, Nunawading	05-Nov-03	9,714	Independent	10,300	586
Bayswater, Bayswater	05-Nov-03	9,903	Directors'	10,600	697
Blackburn, Blackburn	05-Nov-03	9,431	Directors'	10,100	669
Blue Bell, Wendouree	05-Nov-03	1,981	Directors'	2,100	119
Club Hotel, Ferntree Gully	05-Nov-03	5,093	Directors'	5,500	407
Cramers, Preston	05-Nov-03	8,300	Directors'	8,900	600
Daveys, Frankston	05-Nov-03	2,546	Directors'	2,800	254
Doncaster Hotel/Motel, Doncaster	05-Nov-03	12,166	Directors'	13,000	834
Elsternwick, Elwood	05-Nov-03	3,301	Directors'	3,500	199
Ferntree Gully Hotel/Motel, Ferntree Gully	05-Nov-03	4,716	Directors'	5,100	384
Mac's Melton, Melton	05-Nov-03	6,885	Directors'	7,400	515
Meadow Inn, Fawkner	05-Nov-03	8,111	Directors'	8,700	589
Morwell, Morwell	05-Nov-03	1,509	Directors'	1,600	91
Mountain View, Glen Waverly	05-Nov-03	7,168	Directors'	7,700	532
Pier, Frankston	05-Nov-03	8,017	Directors'	8,600	583
Prince Mark, Doveton	05-Nov-03	9,809	Directors'	10,500	691
Rifle Club, Williamstown	05-Nov-03	2,735	Directors'	2,900	165
Rose Shamrock & Thistle, Reservoir	05-Nov-03	2,641	Directors'	2,800	159
Royal Essendon, Essendon	05-Nov-03	4,338	Directors'	4,600	262
Royal Exchange, Traralgon	05-Nov-03	2,169	Directors'	2,300	131
Royal Sunbury, Sunbury	05-Nov-03	3,112	Directors'	3,400	288
Sandbelt Club, Moorabbin	05-Nov-03	10,846	Directors'	11,600	754
Somerville, Somerville	05-Nov-03	2,641	Directors'	2,800	159
Stamford, Rowville	05-Nov-03	12,732	Directors'	13,700	968
Sylvania, Campbellfield	05-Nov-03	5,376	Directors'	5,800	424
Village Green, Mulgrave	05-Nov-03	12,544	Directors'	13,500	956
Westmeadows, Westmeadows	05-Nov-03	2,735	Directors'	3,000	265
Young & Jackson, Melbourne	05-Nov-03	6,131	Directors'	6,500	369
Total Victorian Properties		250,214		268,400	18,186

notes to the financial statements

NOTE 4 – NON-CURRENT ASSETS – INVESTMENT PROPERTIES (CONTINUED)

Property	Acquisition Date	Cost Inclusive Acquisition Price \$'000	Valuation Type	Latest Valuation as at 30 June 2004 \$'000	Revaluation Increase Current Period \$'000
Western Australia					
Sail & Anchor Hotel, Fremantle	10-Nov-03	3,112	Independent	3,300	188
Queens Tavern, Highgate	10-Nov-03	4,810	Directors'	5,100	290
Wanneroo Villa Tavern, Wanneroo	10-Nov-03	1,133	Directors'	1,200	67
Total Western Australian Properties		9,055		9,600	545
Total Investment Properties		509,741		550,200	40,459
Opening Revaluation Reserve					0
Closing Revaluation Reserve					40,459

Valuation of Investment Properties

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

Independent Valuations

In accordance with the Trust's policy of independently valuing one-third of its property portfolio annually, thirty-five properties were independently valued as at 30 June 2004. The revaluations were completed by Max A Cooper (AAPI) of Jones Lang LaSalle Hotels.

Directors' Valuations

The independent valuation of thirty five properties has been extrapolated to the balance of the portfolio by applying to it the same aggregate market movement, on a state by state basis, as evident in the independent valuation.

Investment Properties

All investment properties are freehold and 100% owned by the Trust and are comprised of land, buildings and fixed improvements. The plant, equipment and liquor and gaming licenses are owned by the tenant.

Leasing Arrangements

The investment properties are leased to a single tenant under long-term operating leases with rentals payable monthly in advance.

Conditional Acquisition of Development Properties

During November 2003 the Trust entered into conditional sale contracts with subsidiaries of Foster's Group Limited to acquire seven properties that were under development at the time. The conditional sale contracts are conditional upon satisfactory completion of the developments. At 30 June 2004, four of the properties had yet to be acquired. (Refer Note 5 for further information).

Reconciliation

A reconciliation of the carrying amounts of investment properties at the beginning and end of the current financial period is set out below:

	30 June 2004 \$'000
Carrying amount at 19 August 2003	–
Acquisitions in the period	509,741
Revaluation increments	40,459
Carrying amount at 30 June 2004	550,200

NOTE 5 – DEVELOPMENT PROPERTY – LOANS, DEPOSITS AND COSTS

Property		Deposits at 10% of Purchase Price \$'000	Loans to Foster's Group Limited \$'000	Purchase Price \$'000	Acquisition Costs \$'000	Total Cost \$'000
Queensland						
Burleigh Heads Hotel, Burleigh Heads	(1)	657	5,915	6,572	114	6,686
Caloundra Hotel, Caloundra	(2)	426	3,832	4,258	74	4,332
		1,083	9,747	10,830	188	11,018
New South Wales						
Narrabeen Sands Hotel, Narrabeen	(2)	879	7,914	8,793	152	8,945
Parkway Hotel, Frenchs Forest	(1)	638	5,748	6,386	110	6,496
		1,517	13,662	15,179	262	15,441
Total		2,600	23,409	26,009	450	26,459
Total – current	(2)	–	11,746	11,746	–	11,746
Total – non-current	(1)	2,600	11,663	14,263	450	14,713
Total investment properties at cost (Note 4)						509,741
Total investment properties (at cost) and development property – loans, deposits and costs						536,200

The Trust has made loans equal to the estimated completion value of each property less deposits paid to Foster's Group Limited and receives monthly interest on the loans equal to the rent otherwise payable on the properties, as at 30 June 2004 the monthly interest payable was \$182,311 per month. This equates to a weighted average interest rate of 9.35% on the loan amount.

The Trust will acquire legal title to each of these properties on completion of the relevant development at a price reflecting the completion value estimated at the November 2003 exchange of contracts. For properties where the scope of works definition was not finalised at exchange of conditional sale contracts (being Narrabeen Sands, Burleigh Heads and Parkway), a valuation will be undertaken once the development is complete and, if necessary, the purchase price will be adjusted down to reflect the value. If the completion valuation results in an increase in value there will be no adjustment to the purchase price.

Current and Non-Current Assets

The Caloundra Hotel and Narrabeen Sands developments are expected to be completed and the properties acquired by the Trust by 30 June 2005 as a result the total loan amounts of \$11.746 million relating to these two properties are current assets i.e. the loans will be applied against the property acquisitions.

All other amounts are non-current assets due to expected development completions post 30 June 2005 for loan amounts or due to the fact that they will not be extinguished as a result of Consolidated Entity property acquisitions in the case of property deposits and pre-acquisition cost amounts.

notes to the financial statements

NOTE 6 – PREPAYMENTS AND OTHER ASSETS

19 August 2003 to
30 June 2004
\$'000

Current

Lead manager's incentive fee to be expensed over the period 1 July 2004 to 30 June 2005 inclusive	(a)	5,769
Prepayments		8
		5,777

Non-Current

Lead manager's incentive fee to be expensed over the period 1 July 2005 to 9 November 2008 inclusive	(a)	19,338
Corporate advisory services prepaid to 30 June 2005	(b)	174
		19,512

Total

		25,289
(a) Reconciliation to the total fee:		
Lead manager's incentive fee paid		28,800
Amount expense period ending 30 June 2004		(3,691)
Closing balance 30 June 2004		25,109

Under the lead manager's incentive offer as originally agreed between the Foster's Group Limited and the lead manager, Macquarie Equity Capital Markets Limited, the manager was entitled to be issued with 48,000 units for each one-tenth of a basis point by which the Consolidated Entity's weighted average cost of debt was less than 7.335% up to a maximum of 28,800,000 stapled securities at 6.735%.

The 6.735% target was surpassed with the weighted average cost of debt for the Consolidated Entity being 6.524% fixed for five years on current borrowings and swaps.

The fee of \$28,800,000 has been capitalised as a borrowing cost and will be expensed over the five year period to which it relates.

- (b) On 10 November 2003 \$300,000 was paid to Macquarie Bank Limited for advisory services to be provided over the nineteen month period ending 30 June 2005. The Consolidated Entity has expensed 8 months of this fee as at 30 June 2004.

NOTE 7 – EARNINGS PER UNIT

		Cents
Weighted average number of units used as the denominator		
– Basic earnings per unit		4.4 cents
– Diluted earnings per unit		4.4 cents
		No. of Securities
Weighted average number of ordinary units used as the denominator in calculating basic earnings per unit		90,800,100
Weighted average number of ordinary units and potential ordinary units used as the denominator in calculating diluted earnings per unit		90,800,100

NOTE 8 – INTEREST BEARING LIABILITIES

	30 June 2004 \$'000
Commercial Mortgage Backed Securities	330,000
ALE Property Trust Notes on issue	150,000
	480,000

The CMBS borrowings are secured by, among other things, first ranking real property mortgages over all but four of the investment properties and have scheduled maturity dates of 10 November 2008 and final maturity dates of 10 November 2010. The ALE Notes are unsecured and have a maturity date of 30 September 2011.

The Consolidated Entity's variable interest rate exposure is fully hedged (100% fixed) up until 10 November 2008 on current borrowings. This has been achieved by the use of variable rate borrowings swapped to fixed rates by interest rate swaps.

The Consolidated Entity's weighted average interest rate as at 30 June 2004 was:-

CMBS – \$230 million variable rate	6.210%
CMBS – \$100 million fixed rate	6.660%
CMBS – \$330 million weighted average of variable and fixed	6.346%
ALE Notes – \$150 million fixed	7.265%
Total weighted average interest rate of CMBS and ALE Notes	6.633%
Net impact of swaps – net \$230million	(0.227%)
Total Consolidated Entity weighted average interest rate	6.524%

NOTE 9 – SEGMENT INFORMATION**Business Segment**

The Trust operates solely in the property investment industry.

Geographical Segment

The Trust owns property solely within Australia.

NOTE 10 – EVENTS OCCURRING AFTER REPORTING DATE

The directors are not aware of any significant events since the reporting date.

NOTE 11 – FULL FINANCIAL REPORT

Further financial information can be obtained from the full annual financial report. The full annual financial report and auditors report will be sent to security holders on request, free of charge. Please call 1300 302 429 (freecall) and for International +61 3 9415 4141, and a copy will be forwarded to you. Alternatively, you can access the full annual financial report and the annual concise financial report via the internet on our website: www.alegroup.com.au.

directors' declaration

The directors declare that in their opinion, the Concise Financial Report for the Trust for the period ended 30 June 2004 as set out on pages 57 to 67 complies with accounting standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2004.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in Note 11, is available on request.

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



P Warne
Director

Sydney

Dated this 1st day of September 2004

independent audit report

TO THE UNITHOLDERS OF AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED CONCISE FINANCIAL REPORT

This audit report relates to the concise financial report of Australian Leisure and Entertainment Property Trust for the financial period ended 30 June 2004 included on Australian Leisure and Entertainment Property Group's web site. The consolidated entity's directors are responsible for the integrity of the Australian Leisure and Entertainment Property Group's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

AUDIT OPINION

In our opinion, the concise financial report of Australian Leisure and Entertainment Property Trust for the period ended 30 June 2004 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for Australian Leisure and Entertainment Property Trust (the trust) for the period ended 30 June 2004.

The directors of Australian Leisure and Entertainment Property Management Limited (the responsible entity) are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the unitholders of the trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the trust for the financial period ended 30 June 2004. Our audit report on the full financial report was signed on 30 August 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney

1 September 2004

stapled security holder information

VOTING RIGHTS

The voting rights are one vote per stapled security.

DISTRIBUTION OF STAPLED SECURITY HOLDERS AS AT 31 AUGUST 2004

Number of Stapled Securities	Number of Stapled Security Holders	Stapled Securities Held	% of Issued Stapled Securities
1 – 1000	42	32,246	0.03%
1,001 – 5,000	771	2,580,581	2.84%
5,001 – 10,000	597	5,298,548	5.84%
10,001 – 1,000,000	1,302	54,366,623	59.88%
1,000,001 – over	10	28,522,102	31.41%
Total	2,722	90,800,100	100.00%

There were 6 stapled security holders holding parcels of stapled securities with a value of less than \$500.

TOP 20 LARGEST STAPLED SECURITY HOLDERS AS AT 31 AUGUST 2004

Rank Stapled Security Holder	Number of Stapled Security Holders	% of Issued Stapled Securities
1 RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	8,035,905	8.85%
2 FORTIS CLEARING NOMINEES P/L	4,615,444	5.08%
3 J P MORGAN NOMINEES AUSTRALIA LIMITED	3,181,619	3.50%
4 ANZ NOMINEES LIMITED	2,908,539	3.20%
5 WESTPAC CUSTODIAN NOMINEES LIMITED	2,640,000	2.91%
6 LADY JEAN FALCONER GRIFFIN	1,859,120	2.05%
7 MR KENNETH CHARLES FERRIS + MRS DOROTHY MAY FERRIS	1,614,493	1.78%
8 NATIONAL NOMINEES LIMITED	1,460,413	1.61%
9 CITICORP NOMINEES PTY LIMITED	1,200,249	1.32%
10 RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,006,320	1.11%
11 PINEROSS PTY LTD	900,000	0.99%
12 MRS LYNETTE JOY FAHEY	650,000	0.72%
13 HOBEBEAU INVESTMENTS PTY LTD	600,488	0.66%
14 ARGO INVESTMENTS LIMITED	500,000	0.55%
15 CAERGWRL INVESTMENTS PTY LTD	500,000	0.55%
16 MARGARET LYNDSEY CATTERMOLLE	500,000	0.55%
17 GATECALL PTY LTD	500,000	0.55%
18 MRS SHEMARA WIKRAMANAYAKE	460,500	0.51%
19 NATIONAL AUSTRALIA TRUSTEES LIMITED	450,000	0.50%
20 MR MICHAEL JOHN STEVEN ARTHUR	398,000	0.44%
Total	33,981,090	37.43%

SUBSTANTIAL STAPLED SECURITY HOLDERS (NOTICES RECEIVED AS AT 31 AUGUST 2004)

Stapled Security Holder	Number of Stapled Securities
UBS NOMINEES PTY LIMITED	7,699,271
DEUTSCHE BANK GROUP	4,750,000
Total	12,449,271

corporate directory

REGISTERED OFFICE

Level 8, 15-19 Bent Street
Sydney NSW 2000
Telephone (02) 8231 8588

LAWYERS

Allens Arthur Robinson
2 Chifley Square
Sydney NSW 2000

AUDITORS

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

CUSTODIAN (OF AUSTRALIAN LEISURE AND ENTERTAINMENT PROPERTY TRUST)

Trust Company of Australia Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

TRUSTEE (OF AUSTRALIAN LEISURE AND ENTERTAINMENT DIRECT PROPERTY TRUST)

Permanent Trustee Company Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

REGISTRY

Computershare Investor Services Pty Ltd
Reply Paid GPO Box 7115
Sydney NSW 2000

Level 3, 80 Carrington Street
Sydney NSW 2000
Telephone 1300 302 429

