

ANNUAL
REPORT
2019

ALE Property Group

16 YEARS OF ADDING

VALUE

CURRENT INCOME

FUTURE INCOME

LONG TERM VALUE

ALE
ALE PROPERTY GROUP

The value of ALE's properties increased 2.4% during the year. ALE awaits the outcome of the rent determinations.

Statutory property values

\$1,163.3m

Average cap rate

5.09%

Average lease term

9.3 years
+40 years of options

Passing rental growth

4.5%

Gearing

41.5%

Average debt maturity

2.7 years

Hedge maturity

6.4 years

All up cash interest rate

4.26%

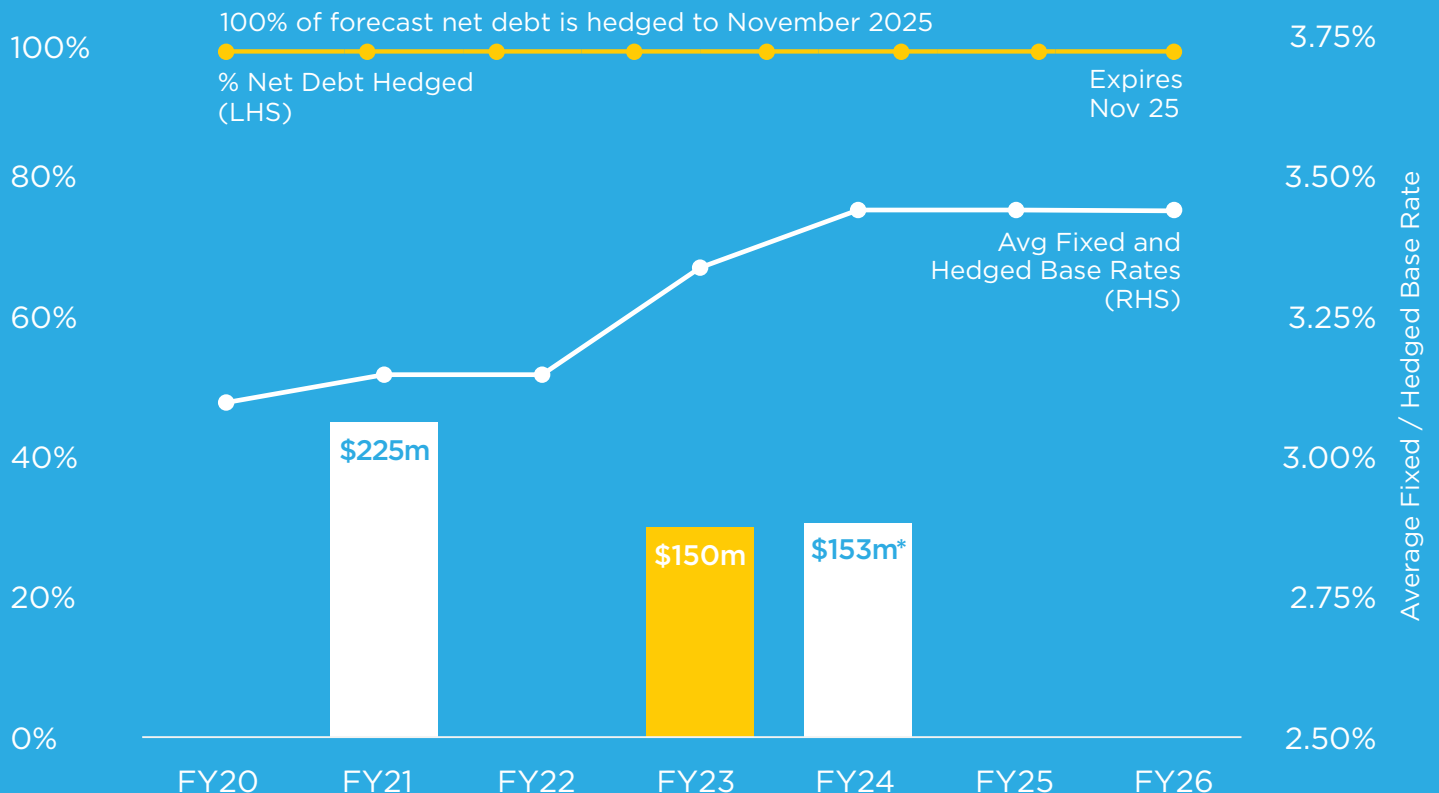
Distribution

20.9cps

Tax deferred

81.32%

DEBT MATURITIES AND HEDGING PROFILE



* balance escalates with CPI

ALE Property Group

**Comprising Australian Leisure and Entertainment
Property Trust and its controlled entities**
Report For the Year ended 30 June 2019

ABN 92 648 441 429

ANNUAL REPORT

2019

ALE Property Group (ASX: LEP)

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 86 pub properties across the five mainland states of Australia. All the properties are leased to Australian Leisure and Hospitality Group Pty Limited (ALH).

WWW.ALEGROUP.COM.AU

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DIRECTORS' REPORT

For the Year ended 30 June 2019

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



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

Level 10
6 O'Connell Street
Sydney NSW 2000

The directors of the Company present their report, together with the financial statements of ALE, for the year ended 30 June 2019.





1. DIRECTORS

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

Name	Experience, responsibilities and other directorships
<p>Robert Mactier, B.Ec, MAICD <i>Independent Non Executive Director</i> <i>Chairman of the Board</i></p> 	<p>Appointed: 28 November 2016 Appointed Chair: 23 May 2017</p> <p>Member of the Audit, Compliance and Risk Management Committee (ACRMC) Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Robert's other current roles include Chairman of ASX-listed WPP AUNZ Limited (since 2006) and Consultant to UBS AG in Australia (since June 2007). Between 2006 and January 2017 he served as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.</p> <p>Robert began his career at KPMG and from January 1986 to April 1990 worked across their audit, management consulting and corporate finance practices. He has extensive investment banking experience in Australia, having previously worked for Ord Minnett Securities, E.L. & C. Baillieu and Citigroup between 1990 and 2006.</p> <p>Robert holds a Bachelor's degree in economics from the University of Sydney and has been a Member of the Australian Institute of Company Directors since 2007 and is a former member of the Institute of Chartered Accountants in Australia and New Zealand.</p>
<p>Phillipa Downes, BSc (Bus Ad), MAppFin, GAICD <i>Independent Non Executive Director</i></p> 	<p>Appointed: 26 November 2013 Appointed Chair of ACRMC: 26 October 2015</p> <p>Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Pippa Downes is a respected Non-Executive Director with over 25 years of distinguished career achievements in the international business and finance sector. Pippa currently sits on the board of the Australian Technology Innovators (Infotrack, LEAP legal software, Sympli), Windlab Limited, Sydney Olympic Park Authority and was recently appointed a Commissioner of Sport Australia. Pippa is a former Director of the ASX Clearing and Settlement companies and was a member of the ASX Disciplinary Tribunal.</p> <p>Pippa has had a successful international banking and finance career and has led the local derivative and investment arms of several of the world's premier Investment Banks. Her most recent role was as a Managing Director and Equity Partner of Goldman Sachs in Australia. She is a member of the Australian Institute of Company Directors and Women Corporate Directors and in 2016 was named as one of the Westpac/AFR's 100 Women of Influence for her work in diversity. Pippa's long standing passion for diversity, sport and educational disadvantage has been focussed through her governance and fundraising work on not for profit entities such as The Pinnacle Foundation, Swimming Australia and the Swimming Australia Foundation.</p> <p>She has a Master's in Applied Finance from Macquarie University and Bachelor of Science (Business Administration) from University of California, Berkeley. Pippa was a dual international athlete having been a member of the Australian Swim Team and represented Hong Kong at the International Rugby Sevens.</p>


DIRECTORS' REPORT

For the Year ended 30 June 2019


Name	Experience, responsibilities and other directorships
<p>Nancy Milne, <i>OAM, LLB, FAICD</i> <i>Independent Non Executive Director</i></p> 	<p>Appointed: 6 February 2015 Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Nancy has been a professional non-executive director for over a decade. She is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance, risk management and corporate governance. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation, a Non-executive Director of FBR Limited and deputy chairman of the State Insurance Regulatory Authority. She is also currently the Chair of the Accounting Professional and Ethical Standards Board. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, State Plus and Novion Property Group (now Vicinity Centres).</p> <p>Nancy has a Bachelor of Laws from the University of Sydney. She is a member of the NSW Council of the Australian Institute of Company Directors and the Institute's Law Committee.</p>
<p>Paul Say, <i>FRICS, FAPI</i> <i>Independent Non Executive Director</i></p> 	<p>Appointed: 24 September 2014 Member of the ACRMC Chair of the Nominations Committee Chair of the Remuneration Committee</p> <p>Paul has over 35 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Paul was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance. Paul is a director of Frasers Logistic & Industrial Trust (SGX listed) and was previously a director of GPT Metro Office Fund.</p> <p>Paul has a Graduate Diploma in Finance and Investment and a Graduate Diploma in Financial Planning. He is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Australian Property Institute and a Licensed Real Estate Agent (NSW, VIC and QLD).</p>
<p>Michael Triguboff <i>BA (Syd), LLB (UNSW)</i> <i>Non Executive Director</i></p> 	<p>Appointed: 15 February 2018</p> <p>Michael is a founding Director of Adexum Capital Limited, a private equity company investing in both public and private mid-market companies. Michael is also Chief Executive Officer of Pyrolyx AG, a dual listed German and Australian tyre recycling company.</p> <p>Mr Triguboff has a background in equity funds management with groups including MIR and Lazard Asset Management Pacific, and Lazard Asia Funds. He was a global partner of Lazard Freres & Co. He was previously based in the USA and held positions with Quantum Funds and Equity Investments with a focus on principal investments in both public and private companies.</p> <p>Michael's academic qualifications include; Bachelor of Arts from the University of Sydney, Bachelor of Laws from University of New South Wales, Master of Business Administration from New York University, Master of Business Systems from Monash University, Master of Computer Science from University of Illinois at Urbana - Champaign / Columbia University, and Master of Criminology and Master of Laws from University of Sydney.</p>
<p>James McNally <i>B.Bus (Land Economy), Dip. Law</i> <i>Non Executive Director</i></p> 	<p>Appointed: 26 June 2003 Resigned: 8 August 2018</p> <p>James was an executive and founding director of the company. James has over 20 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry. James' qualifications include a Bachelor of Business in land economy and a Diploma of Law. James is also a registered valuer and licensed real estate agent.</p>

DIRECTORS' REPORT

For the Year ended 30 June 2019

Name	Experience, responsibilities and other directorships
<p>Andrew Wilkinson <i>B.Bus, CFTP, MAICD</i> <i>Managing Director</i></p> 	<p>Appointed: 16 November 2004 Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)</p> <p>Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003. Andrew has around 35 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.</p>

2. OTHER OFFICERS

Name	Experience
<p>Michael Clarke <i>BCom, MMan, CA, ACIS</i> <i>Company Secretary and Finance Manager</i></p> 	<p>Appointed: 30 June 2016</p> <p>Michael joined ALE in October 2006 and was appointed Company Secretary on 30 June 2016. Michael has a Bachelor of Commerce from the University of New South Wales and a Masters of Management from the Macquarie Graduate School of Management. He is an associate member of both the Governance Institute of Australia and the Institute of Chartered Accountants in Australia and New Zealand.</p> <p>Michael has over 35 years' experience in accounting, taxation and financial management. Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. He has also owned and managed his own accounting practice.</p>

3. INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directorships of listed entities within the last three years

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

Director	Directorships of listed entities	Type	Appointed as Director	Resigned as Director
R W Mactier	WPP AUNZ Limited	Non-executive	December 2006	
R W Mactier	Melco Resorts and Entertainment Limited (Nasdaq listed)	Non-executive	December 2006	January 2017
P G Say	GPT Metro Office Fund	Non-executive	August 2014	September 2016
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive	June 2016	
P J Downes	Windlab Limited	Non-executive	July 2017	
N J Milne	FBR Limited	Non-executive	August 2018	
M P Triguboff	Pyrolyx AG	Non-executive	February 2015	

DIRECTORS' REPORT

For the Year ended 30 June 2019

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

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

Name	Role	Number held at the start of the year	Net movement	Number held at the end of the year
R W Mactier	Non-executive Director	50,000	-	50,000
P J Downes	Non-executive Director	189,110	-	189,110
P G Say	Non-executive Director	25,000	-	25,000
N J Milne	Non-executive Director	20,000	-	20,000
J T McNally	Non-executive Director (Resigned: 8 August 2018)	55,164	-	55,164
M P Triguboff	Non-executive Director	-	-	-
A F O Wilkinson	Executive Director	431,469	33,365	464,834
A J Slade	Capital Manager	60,000	15,888	75,888
M J Clarke	Company Secretary and Finance Manager	18,000	6,355	24,355
D J Shipway	Asset Manager	6,500	4,767	11,267

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed / Delivered during the year	Number held at the end of the year
<u>ESSS Rights</u>					
A F O Wilkinson	Executive Director	94,467	29,951	(33,365)	91,053
A J Slade	Capital Manager	47,873	14,095	(15,888)	46,080
M J Clarke	Finance Manager	16,471	2,623	(6,355)	12,739
D J Shipway	Asset Manager	9,779	2,623	(4,767)	7,635

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2019 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board		ACRMC		Nominations Committee and Remuneration Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
R W Mactier	12	12	7	7	4	4
P J Downes	12	12	7	7	4	4
P G Say	12	12	7	7	4	4
N J Milne	12	11	7	7	4	4
J T McNally	4	4	n/a	n/a	n/a	n/a
M P Triguboff	12	9	n/a	n/a	n/a	n/a
A F O Wilkinson	12	12	n/a	n/a	n/a	n/a

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

4. PRINCIPAL ACTIVITIES

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

5. OPERATIONAL AND FINANCIAL REVIEW

Background

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 86 pub properties across the five mainland states of Australia. All of the properties in the portfolio are leased to Australian Leisure and Hospitality Group Pty Limited (ALH) for an average remaining initial lease term of 9.3 years plus options for ALH to extend.

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

- For most of the properties the leases commenced in November 2003 with an initial term of 25 years to 2028;
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland (three of the 86 properties are double net);
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI;
- Change of control protections – a change in more than 20% of the ownership of ALH requires ALE's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity)
- Assignment protections - following ALE approved assignments, ALE continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 9.3 years, as ALH is not released on assignment;
- All earnings from all improvements on the properties are included for rent review purposes, irrespective of who funded the improvements;
- A rent review commenced in November 2018 which is capped and collared within 10% of the 2017 rent; and
- There is a full open rent review (no cap and collar) in November 2028.

Significant changes in the state of affairs

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

- The 86 individual property values increased by an average of 2.4% to \$1,163.2 million; and
- Net Assets decreased by 2.5% to \$605.6 million and net borrowings (total borrowings less cash) as a percentage of assets (total assets less cash, derivatives and deferred tax assets) decreased from 41.6% to 41.5%.

Current year performance

ALE produced a profit after tax of \$26.6 million for the year ended 30 June 2019 compared to a profit of \$75.1 million for the year ended 30 June 2018. The decrease is primarily due to:

- Fair value adjustments to investment properties decreased from \$54.3 million to \$26.6 million in the current year due to higher adopted yields which were offset by increased rents;
- Fair value adjustments to derivatives liabilities increased from a decrement of \$4.7 million to \$25.2 million in the current year as long term interest rates decreased;
- Interest income was lower due to lower average funds on deposit and lower deposit rates;
- Finance costs were consistent with the prior year; and
- Management costs increased during the year due to costs associated with the rent review that commenced in the current year. ALE's normalised management expense ratio continues to be one of the lowest in the A-REIT sector.

The above factors were offset by increased rental income of 3.7% due to the full year impact of the November 2017 rent review of 1.9% and the part year impact of the November 2018 rent review of 10% on 36 properties;

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

During the financial year ALE produced a distributable profit of \$28.3 million compared to \$29.0 million in the previous financial year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was primarily impacted by the same cash items that affected Operating Profit, namely changes in rent and management expenses.

DIRECTORS' REPORT

For the Year ended 30 June 2019

	30 June 2019 \$'000	30 June 2018 \$'000
Profit after income tax for the year	26,620	75,090
Adjustment for non-cash items		
Fair value increments to derivatives and investment properties	(1,484)	(49,535)
Employee share based payments	117	235
Finance costs - non-cash	3,014	3,214
Income tax expense	26	21
Total adjustments for non-cash items	1,673	(46,065)
Total profit available for distribution	28,293	29,025
Distribution paid or provided for	40,916	40,720
Over distributed for the year	(12,623)	(11,695)
Distribution funded as follows		
Current year distributable profits	28,293	29,025
Capital and surplus cash reserves	12,623	11,695
	40,916	40,720
	Percentage Increase / (Decrease)	30 June 2019 Cents
Earnings and distribution per stapled security:		30 June 2018 Cents
Basic earnings	(64.55%)	13.60
Earnings available for distribution	(2.56%)	14.45
Total distribution	0.48%	20.90
Current year distributable profits		14.45
Capital and surplus cash		6.45
		20.90

Financial position

ALE's net assets decreased by 2.5%, compared with the previous year which was largely attributable to an increase in derivative liabilities during the year.

Investment property valuations increased in value by 2.4% from \$1,136.3 million to \$1,163.2 million during the year. The increase in property valuations was attributable to the November 2018 rent review increases of 10% on 36 properties and average capitalisation rates increasing from 4.98% to 5.09% across the portfolio. When assessing statutory valuations the independent valuers applied both traditional capitalisation rate and discounted cashflow (DCF) based valuation methods. The valuation results reflect a combination of these methods but continue to place significant emphasis upon the traditional capitalisation rate approach.

ALE believes that the DCF method provides a comprehensive view of the quality of the lease and tenant as well as the medium and longer term opportunities for reversion to market based levels of rent. In applying the DCF method the valuers made their own independent assessment of the tenant's current level of EBTDAR and also adopted industry standard market rental ratios. The valuers also used a range of assumptions they deemed appropriate for each of the individual properties. Based upon their assessments and assumptions the valuers' DCF valuations represented a weighted average yield of around 4.61% for the representative sample of 34 properties valued. This compares to the adopted yield of 5.05% for the 34 properties valued which was derived using a combination of the DCF and capitalisation rate methods.

DIRECTORS' REPORT

For the Year ended 30 June 2019

Net assets per stapled security decreased by 2.5% from \$3.17 to \$3.09 compared to June 2018, primarily as a result of the increase in derivative liabilities.

ALE's market capitalisation this year decreased by around 8.8% to around \$988.4 million at 30 June 2019.

ALE's capital position remains sound. This is evidenced by a steady reduction in gearing and the maintenance of an investment grade credit rating. ALE's next debt maturity of \$225 million is scheduled to occur in August 2020. During the year covenant gearing reduced from 41.6% to 41.5% for the AMTN issuing entity, ALE DPT. ALE continues to maintain appropriate headroom to all debt covenants with the nearest equivalent to an average 32% fall in property values.

ALE's debt capital structure continues to be characterised by the following positive features:

- investment grade credit rating of Baa2 (stable);
- debt maturity dates that are diversified over the next 4.4 years;
- 100% of forecast net debt hedged for the next 6.4 years;
- interest cover ratio well above covenant level at 2.5 times;
- all up cash interest rate of 4.26% p.a. fixed until the next refinancing in August 2020; and
- lower covenant gearing of 41.5% (2018: 41.6%).

ALE has consistently sought to mitigate interest rate volatility and continues to have long term hedging in place to achieve this objective.

Historical performance

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

	FY15	FY16	FY17	FY18	FY19
Distributable profit (\$m)	29.1	29.6	29.1	29.0	28.3
Distribution per Security (cents)	16.85	20.00	20.40	20.80	20.90
Continuing property values (\$m) ²	900.5	990.5	1,080.2	1,136.3	1,163.2
Covenant gearing ¹	47.9%	44.9%	42.7%	41.6%	41.5%

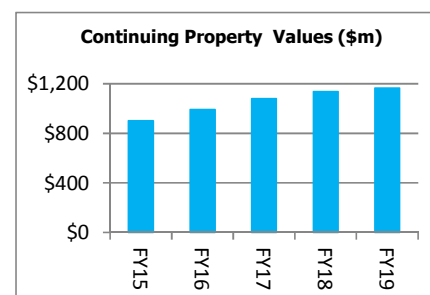
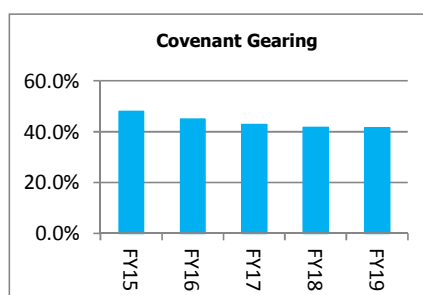
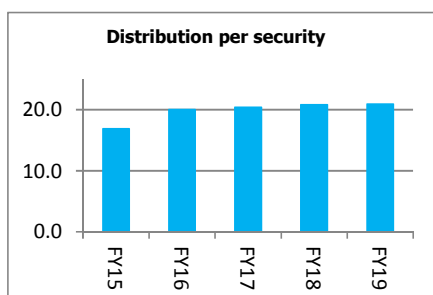
1. Total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity, ALE DPT

2. Includes only the value of properties held as at 30 June 2019

The accumulated value of \$1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and the \$5.10 market value of securities as at 30 June 2019 totalled \$17.44. This is equivalent to 20.1% p.a. total return since the ASX listing.

For the period ending 30 June 2019, ALE continued to perform strongly compared to other equity return benchmarks including the AREIT 300 index and the All Ordinaries index over the medium and long term. For the three year period ALE's total return of 8.4% matched the AREIT 300 index total return. For the five year period ALE's total return of 17.1% outperformed both the AREIT 300 index of 13.8% and the All Ordinaries Index of 9.0%.¹ For the ten year period ALE's total return of 17.1% outperformed both the AREIT 300 index of 14.1% and the All Ordinaries Index of 10.1%.¹

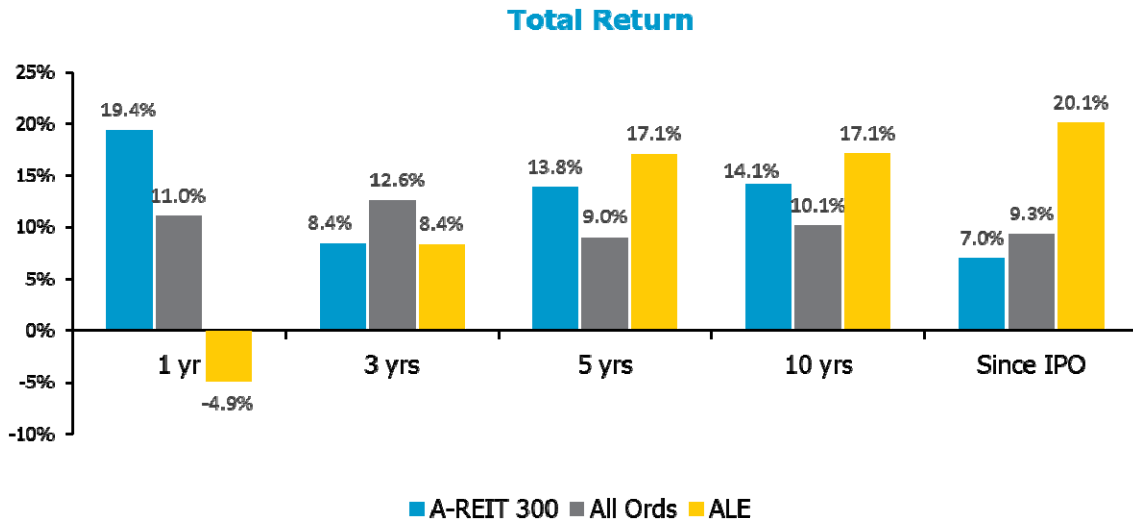
1. Source: UBS



DIRECTORS' REPORT

For the Year ended 30 June 2019

The following chart shows the total annual return of an ALE security over various periods.



1. Includes ALE's equity market price of \$5.10 as at 30 June 2019 and reinvestment of distributions and 2009 renunciation payment
2. All Ordinaries Accumulation Index
3. UBS S&P REIT 300 Index

Business strategies and future prospects

ALE holds a positive outlook for the rent review prospects for the portfolio. In November 2018 the first major review was due with the reviewed rent capped and collared within 10% of the November 2017 rent for the majority of properties. There is also a full open rent review (no caps or collars) in November 2028.

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

ALE has continued to preserve the quality of the existing property portfolio. The current debt structure and long term hedging position provides significant certainty around a stable distributable profit profile for the medium term.

ALE's Board will review distribution policy following the conclusion of the rent determinations.

Material business risks

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

Property valuation risk - the properties that ALE owns have values that are exposed to movements in the Australian commercial property markets, changes in rent and the general levels of long and short term interest rates. ALE is unable to control the market forces that impact ALE's property values however ALE constantly monitors the property market to assess general trends in property values. ALE undertakes on-going condition and compliance audits of our properties and has independent valuers perform valuations on one third of the property portfolio on an annual basis. Declines in ALE's property values will reduce NTA and could also reduce headroom to debt covenants. At 30 June 2019 the closest debt covenant would be triggered by a decline of around 32% in property values and a resultant average capitalisation rate of 7.45%. By way of comparison it should be noted that in the last 12 years the highest average capitalisation rate of ALE properties has been 6.60%. ALE considers it currently has sufficient headroom in its debt covenants.

Interest rate risk - ALE currently has \$529 million of outstanding gross borrowings and consequently faces the risk of reduced profitability and distributions should interest rates on borrowings increase materially. To mitigate this risk ALE uses fixed rate borrowings and hedges variable rate borrowings for the medium and long term. Existing arrangements effectively hedge ALE's forecasted net debt to November 2025 at weighted average base rates of between 3.11% and 3.46%.

DIRECTORS' REPORT

For the Year ended 30 June 2019

Refinancing risk - ALE currently has outstanding borrowings representing a covenant gearing level of 41.5%. ALE consequently faces refinancing risk as and when borrowings mature and require repayment. Failure, delays or increased credit margins in refinancing borrowings could subject ALE to a number of risks that could potentially impact future earnings. ALE notes the 3 July 2019 announcement that Woolworths intends to combine ALH and Endeavour Drinks in late CY19 and then separate the combined entity from Woolworths in CY20. ALE will monitor these developments closely as the rating of the new tenant may impact ALE's future credit margins. To mitigate these risks ALE proactively staggers debt maturities, continually monitors debt markets, actively seeks to maintain ALE's current credit rating of Baa2 and maintains relationships with diverse funding markets to ensure multiple funding options are available. ALE has a long track record of consistently approaching debt markets for refinancing well in advance of the scheduled debt maturity dates.

Single tenant risk - all 86 of ALE's pub properties are leased to a single tenant, ALH which is owned by Woolworths Limited (75%) and the Bruce Mathieson Group (25%). ALE notes the 3 July 2019 announcement that Woolworths intends to combine ALH and Endeavour Drinks in late CY19 and then separate the combined entity from Woolworths in CY20. ALE will monitor these developments closely. In the event of a default in rental payments by the tenant, ALE may be unable to pay interest on borrowings and distributions to securityholders. ALE manages this risk by monitoring the operating performance of each of the hotels and ALH on a regular basis. ALE also has the option of selling properties and/or issuing equity to meet its debt obligations.

Regulatory risk – changes to liquor licence regulation or gaming licence regulation could significantly impact the trading performance of the operating businesses of ALH and therefore impact the EBITDAR of our tenant. EBITDAR is a key determining factor for rent reviews and therefore could impact on ALE's long term profitability. ALE is unable to control regulatory changes that may impact on our properties but monitors potential changes and liaises with ALH to understand the potential impact on hotel profitability.

6. DISTRIBUTIONS AND DIVIDENDS

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

	30 June 2019 cents per security	30 June 2018 cents per security	30 June 2019 \$'000	30 June 2018 \$'000
Final Trust income distribution for the year ending 30 June 2019 to be paid on 5 September 2019	10.45	10.45	20,458	20,458
Interim Trust income distribution for the year ending 30 June 2019 paid on 5 March 2019	10.45	10.35	20,458	20,262
Total distribution for the year ending 30 June 2019	20.90	20.80	40,916	40,720

No provisions for or payments of Company dividends have been made during the year (2018: nil).

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2019 Woolworths announced that it intends to combine ALH and Endeavour Drinks in late CY19 and then separate the combined entity from Woolworths in CY20. ALE will monitor these developments closely.

Subsequent to 30 June 2019, long term interest rates have continued to decline. This has resulted in an increase in the fair value of the net derivative liability position in the period since 30 June 2019. As at 5 August 2019 the value of that liability has increased by approximately \$5.5 million to \$40.2 million. The liability has not changed materially between 5 August 2019 and the date of this report.

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

In accordance with the leases of its investment properties, ALE has until November 2017 received annual increases in rental income in line with increases in the consumer price index. The first non CPI based market rent review commenced in November 2018 for 79 of ALE's properties. As at balance date 36 properties had received a full increase of 10% and 43 properties are to be determined by expert determining valuers. It is anticipated that the rent determinations will be concluded in late CY19.

The announcement by Woolworth on 3 July 2019 is noted above. ALE will continue to monitor this closely for any impacts on ALE.

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9 REMUNERATION REPORT (Audited)

The Remuneration Report presented below is the remuneration report included in the Directors' Report of Australian Leisure and Entertainment Property Management Limited (the "Company"). This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2019 for employees of ALE including the directors, the Managing Director and key management personnel. This information has been audited as required by section 308(3C) of the Act.

9.1 Remuneration Objectives and Approach

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

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

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

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

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

9.2 Remuneration Committee

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

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

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

The Committee operates independently of management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2019, the Committee consisted of the following:

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

Page 2 of this Annual Report provides information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 5 of the Annual Report.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee did not engage any consultant to review remuneration.

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.3 Executive Remuneration

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

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

9.3.1 Fixed Annual Remuneration (FAR)

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

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

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

9.3.2 Executive Incentive Scheme (EIS)

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

How are EIS awards delivered?

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

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

How is the ESSS award calculated?

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

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

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

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

9.3.3 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway
Position	Managing Director	Capital Manager	Finance Manager and Company Secretary	Asset Manager
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$485,418	\$274,135	\$275,400	\$213,100
Notice by ALE	6 months	3 months	3 months	1 month
Notice by Executive	6 months	3 months	3 months	1 month

Managing Director

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.4 Executive Remuneration outcome for year ended 30 June 2019

The amount of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 17 of the Annual Report.

Executive Incentive Scheme Outcomes

In terms of total equity returns and other key financial metrics, ALE continues to perform well when compared to other Australian real estate investment trusts (AREITs) and the wider ASX listed indexes in the medium and long term.

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2019. It was assessed by the Committee that a number of the key performance indicators (KPIs) were met and others were not. In particular the Committee noted:

Property and Strategic Matters

- A very significant workload was taken on by ALE's small management team to successfully complete a large submission package relating to the 2018 rent review, for a greater than expected number of properties;
- While the rent review submissions were successfully completed, the finalisation of the rent review and determination process remained outstanding. Accordingly, the rent review and determination process will be included as part of managements KPIs for FY20;
- A small number of acquisition opportunities that accorded with ALE's strategic criteria were evaluated; and
- A number of strategic initiatives were completed during the year while others remain ongoing for completion in FY20.

Capital Matters

- Management continued to explore a range of debt funding and hedging solutions in both the domestic and offshore capital markets with a view to enhancing ALE's readiness to implement a FY20 debt refinancing and additional debt funding of any acquisitions;
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation; and
- ALE continued to deliver both medium and long term total returns for securityholders that outperformed most of the other AREITs in the sector.

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

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

Executive	EIS			EIS Awarded	Cash Component	ESSS Component
	Target EIS (as % of FAR)	Awarded (as % of FAR)	EIS Awarded as a % of Target			
Andrew Wilkinson	60%	20.6%	34.3%	\$100,000	\$50,000	\$50,000
Andrew Slade	50%	18.2%	36.5%	\$50,000	\$25,000	\$25,000
Michael Clarke	n/a	27.2%	-	\$75,000	\$37,500	\$37,500
Don Shipway	n/a	4.7%	-	\$10,000	\$5,000	\$5,000

DIRECTORS' REPORT

For the Year ended 30 June 2019

Consequences of performance on securityholder wealth

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

A review of ALE's current year performance and history is provided in the Operational and Financial Review on page 6 of the Annual Report.

9.5 Disclosures relating to equity instruments granted as compensation

9.5.1 Outstanding equity instruments granted as compensation

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at Grant Date (\$)	Approximate Delivery Date	% vested in year	% forfeited in year
ESSS Rights							
A F O Wilkinson	27,020	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
A F O Wilkinson	34,082	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A F O Wilkinson	29,951	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A J Slade	13,510	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
A J Slade	18,475	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A J Slade	14,095	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
M J Clarke	5,246	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
M J Clarke	4,870	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
M J Clarke	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
D J Shipway	1,968	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
D J Shipway	3,044	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
D J Shipway	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil

9.5.2 Modification of terms of equity settled share based payment transactions

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

9.5.3 Analysis of movements in ESSS rights

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

Executive	Opening Balance	Granted in Year	Stapled Securities Delivered in the Year	Lapsed in the Year	Closing Balance	Securities Delivered in the year - value paid \$
By Value (\$)						
A F O Wilkinson	347,965	142,770	(105,000)	-	385,735	180,082
A J Slade	177,372	67,190	(50,000)	-	194,562	85,753
M J Clarke	60,000	12,500	(20,000)	-	52,500	34,300
D J Shipway	35,000	12,500	(15,000)	-	32,500	25,729
By Number						
A F O Wilkinson	94,467	29,951	(33,365)	-	91,053	
A J Slade	47,873	14,095	(15,888)	-	46,080	
M J Clarke	16,471	2,623	(6,355)	-	12,739	
D J Shipway	9,779	2,623	(4,767)	-	7,635	

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

A summary of directors, key management personnel and their associates holdings in stapled securities and ESSS interests in ALE is shown on page 5 of the Annual Report.

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.6 Equity based compensation

The value of ESSS disclosed in section 9.5.3 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined during the five trading days finishing on 15 August 2019.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the Company Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 31 October 2017 was \$750,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were last reviewed in the 2017 financial year. The results of this review are shown in the fees listed below. The Chairman's fees are determined independently from the fees of the other non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive any equity based payments, retirement benefits or other incentive payments.

9.7.2 Remuneration Structure

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

The current remuneration was reviewed in January 2017. This resulted in changes to the fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.8 Details of remuneration

Amount of remuneration

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses were dependent on the satisfaction of performance conditions as set out in the section 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2019 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2018 to 30 June 2019

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2019 are set out in the following table:

Key management personnel		Short term				Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration
Name	Role	Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits	Other long term benefits	Termination benefits	ESSS	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	195,000	-	-
P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	115,000	-	-
P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	120,000	-	-
N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	110,000	-	-
J T McNally ¹	Non-executive Director	11,008	-	-	11,008	-	-	-	-	11,008	-	-
M P Triguboff	Non-executive Director	95,000	-	-	95,000	-	-	-	-	95,000	-	-
A F O Wilkinson	Executive Director	460,127	50,000	-	510,127	20,531	10,898	-	50,000	591,556	16.9%	8.5%
A J Slade	Capital Manager	145,175	25,000	-	170,175	11,977	1,002	-	25,000	208,154	24.0%	12.0%
M J Clarke	Company Secretary and Finance Manager	252,160	37,500	-	289,660	20,531	5,837	-	37,500	353,528	21.2%	10.6%
D J Shipway	Asset Manager	192,688	5,000	-	197,688	18,322	8,412	-	5,000	229,422	4.4%	2.2%
		1,659,720	117,500	-	1,777,220	107,799	26,149	-	117,500	2,028,668		

1. James McNally resigned as a director on 8 August 2018

Table 2 Remuneration details 1 July 2017 to 30 June 2018

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2018 are set out in the following table:

Key management personnel		Short term				Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration
Name	Role	Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits	Other long term benefits	Termination benefits	ESSS	Total		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	195,000	-	-
P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	115,000	-	-
P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	120,000	-	-
N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	110,000	-	-
J T McNally ²	Non-executive Director	105,000	-	-	105,000	-	-	-	-	105,000	-	-
M P Triguboff ³	Non-executive Director	35,310	-	-	35,310	-	-	-	-	35,310	-	-
A F O Wilkinson	Executive Director	451,177	142,770	-	593,947	20,048	17,277	-	142,770	774,042	36.9%	18.4%
A J Slade	Capital Manager	245,712	67,190	-	312,902	20,048	(675)	-	67,190	399,465	33.6%	16.8%
M J Clarke	Company Secretary and Finance Manager	227,871	12,500	-	240,371	19,341	16,372	-	12,500	288,584	8.7%	4.3%
D J Shipway	Asset Manager	188,908	12,500	-	201,408	17,962	6,115	-	12,500	237,985	10.5%	5.3%
		1,757,540	234,960	-	1,992,500	113,837	39,089	-	234,960	2,380,386		

2. James McNally resigned as a director on 8 August 2018

3. Michael Triguboff was appointed a director on 15 February 2018

DIRECTORS' REPORT

For the Year ended 30 June 2019

10 STAPLED SECURITIES UNDER OPTION

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

11 STAPLED SECURITIES ISSUED ON THE EXERCISE OF OPTIONS

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

12 INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of \$166,050 (2018: \$121,846) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

13 NON-AUDIT SERVICES

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

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

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

	30 June 2019 \$	30 June 2018 \$
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
- in relation to current year	194,065	159,000
- in relation to prior year	8,000	-
Total remuneration for audit services	202,065	159,000
Other services		
KPMG Australian firm:		
Other services	20,000	-
Total other services	20,000	-
Total remuneration	222,065	159,000

14 ENVIRONMENTAL REGULATION

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

15 AUDITOR'S INDEPENDENCE DECLARATION

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

16 ROUNDING OF AMOUNTS

ALE is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with the Instrument to the nearest thousand dollars, unless otherwise indicated.

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



Robert Mactier
Chairman



Andrew Wilkinson
Managing Director

Dated this 7th day of August 2019



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 there have been:

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

KPMG

Eileen Hoggett

Partner

Sydney

7 August 2019

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue			
Rent from investment properties	4.1	60,219	58,095
Interest from cash deposits	4.1	782	1,049
Total revenue		61,001	59,144
Other income			
Fair value increments to investment properties	2	26,639	54,273
Fair value increments to derivatives - net	4.1	-	-
Total other income		26,639	54,273
Total revenue and other income		87,640	113,417
Expenses			
Fair value decrements to derivatives - net		25,155	4,738
Finance costs (cash and non-cash)	4.3	25,217	25,279
Queensland land tax expense		2,907	2,356
Salaries and related costs	4.2	2,335	2,759
Other expenses	4.2	5,380	3,174
Total expenses		60,994	38,306
Profit before income tax		26,646	75,111
Income tax expense/(benefit)	4.4	26	21
Profit after income tax		26,620	75,090
Profit/(Loss) attributable to stapled securityholders of ALE		26,620	75,090
		Cents	Cents
Basic earnings per stapled security	4.7	13.60	38.36
Diluted earnings per stapled security	4.7	13.59	38.32

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

STATEMENT OF FINANCIAL POSITION

For the Year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	3.5	33,111	46,014
Derivatives		691	-
Receivables		176	282
Other		350	308
Total current assets		34,328	46,604
Non-current assets			
Investment properties	2	1,163,230	1,136,260
Derivatives	3.2	-	834
Plant and equipment		39	63
Deferred tax asset		296	285
Total non-current assets		1,163,565	1,137,442
Total assets		1,197,893	1,184,046
Current liabilities			
Payables		8,634	8,347
Employee benefits	5.1	294	255
Distribution payable		20,458	20,458
Total current liabilities		29,386	29,060
Non-current liabilities			
Borrowings	3.1	527,523	524,509
Derivatives	3.2	35,415	10,403
Total non-current liabilities		562,938	534,912
Total liabilities		592,324	563,972
Net assets		605,569	620,074
Equity			
Contributed equity	3.3	258,118	258,118
Reserve		782	855
Retained profits		346,669	361,101
Total equity		605,569	620,074
Net assets per stapled security		\$ \$3.09	\$ \$3.17

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Share Capital \$'000	Share Based Payments Reserve \$'000	Retained Earnings \$'000	Total \$'000
2019				
Total equity at the beginning of the year	258,118	855	361,101	620,074
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	26,620	26,620
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	26,620	26,620
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Employee share based payments	-	117	-	117
Securities purchased - Employee share based payments	-	(190)	(136)	(326)
Distribution paid or payable	-	-	(40,916)	(40,916)
Total equity at the end of the year	258,118	782	346,669	605,569
2018				
Total equity at the beginning of the year	258,118	893	326,969	585,980
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	75,090	75,090
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	75,090	75,090
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Employee share based payments	-	235	-	235
Securities purchased - Employee share based payments	-	(273)	(238)	(511)
Distribution paid or payable	-	-	(40,720)	(40,720)
Total equity at the end of the year	258,118	855	361,101	620,074

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Receipts from tenant and others	66,254	63,958
Payments to suppliers and employees	(17,117)	(14,240)
Interest received - bank deposits	904	1,004
Net interest received - interest rate hedges	461	523
Borrowing costs paid	(22,155)	(22,558)
Net cash inflow from operating activities	28,347	28,687
Cash flows from investing activities		
Payments for investment property	(331)	(1,827)
Payments for plant and equipment	(3)	(50)
Net cash outflow from investing activities	(334)	(1,877)
Cash flows from financing activities		
Capitalised borrowing costs paid	-	(53)
Borrowings repaid - AMTN	-	-
Borrowings issued - AMTN	-	-
Interest rate hedge termination payment	-	-
Distributions paid	(40,916)	(40,328)
Net cash inflow/(outflow) from financing activities	(40,916)	(40,381)
Net increase/(decrease) in cash and cash equivalents	(12,903)	(13,571)
Cash and cash equivalents at the beginning of the year	46,014	59,585
Cash and cash equivalents at the end of the year	33,111	46,014

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

	2019 \$'000	2018 \$'000
Profit for the year	26,620	75,090
<i>Plus/(less):</i>		
Fair value (increments) to investment property	(26,639)	(54,273)
Fair value (increments)/decrements to derivatives	25,155	4,738
Finance costs amortisation	423	395
CIB accumulated indexation	2,591	2,819
Share based payments expense	117	235
Share based payments securities purchased	(326)	(511)
Depreciation	27	15
Decrease/(increase) in -		
Receivables	106	(24)
Deferred tax assets	(11)	(3)
Other assets	(42)	(55)
Increase/(decrease) in -		
Payables	287	196
Provisions	39	65
Net cash inflow from operating activities	28,347	28,687

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 30 June 2019

1. About this report

Reporting Entity

ALE is domiciled in Australia. ALE, the stapled entity, was formed by stapling together the units in the Trust and the shares in the Company. For the purposes of financial reporting, the stapled entity reflects the consolidated entity. The parent entity and deemed acquirer in this arrangement is the Trust. The results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2018 to 30 June 2019.

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

The Company is the Responsible Entity of the Trust.

Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 7th August 2019.

Basis of preparation

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

Rounding of amounts

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

Accounting estimates and judgements

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

Accounting estimates and judgements	Note
Investment property	2
Financial instruments	3
Income taxes	4
Measurement of share based payments	5

Significant accounting policies

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

(a) Principles of consolidation

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

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

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

1. About this report

Measurement of fair values

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices);

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Investment property

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

	2019 \$'000	2018 \$'000
Investment properties	1,163,230	1,136,260
Reconciliation of fair value gains/losses for year ending 30 June 2019		
Fair value as at beginning of the year	1,136,260	1,080,160
Disposals during the year	-	-
Additions during the year	331	1,827
Carrying amount before revaluations	1,136,591	1,081,987
Fair value as at end of the year	1,163,230	1,136,260
Fair value gain for the year	26,639	54,273

Recognition and measurement

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

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

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

Land and buildings classified as investment property are not depreciated.

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

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

Measurement of fair value

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. As at 30 June 2019, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 5.09% (2018: 4.98%).

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the Statement of Comprehensive Income. ALE has a valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Investment property

Measurement of fair value (continued)

more regular basis if considered appropriate and as determined by management in accordance with the Board's approved valuation policy. These external independent valuations are taken into consideration when determining the fair value of the investment properties. The weighted average lease term of the properties is around 9.3 years.

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 34 properties were independently valued as at 30 June 2019. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by Savills and CBRE.

The remaining 52 properties were subject to Directors' valuations as at 30 June 2019, identified as "B". The Directors' valuations of the 52 properties were determined by taking each property's net rent as at 30 June 2019 and capitalising it at a rate equal to the prior year capitalisation rate for that property, adjusted by the average change in capitalisation rate evident in the 34 independent valuations completed at 30 June 2019 on a like for like basis. The Directors have received advice from Savills and CBRE, that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a like for like basis.

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

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

	2019 Adopted Yields	2018 Adopted Yields	2019 Average	2018 Average
New South Wales	4.57% - 5.96%	4.51% - 5.79%	5.11%	4.96%
Victoria	2.75% - 6.00%	2.50% - 6.10%	5.06%	5.04%
Queensland	3.22% - 6.31%	2.86% - 5.80%	5.02%	4.81%
South Australia	4.02% - 5.80%	3.65% - 5.80%	5.07%	5.13%
Western Australia	5.80% - 6.93%	5.41% - 6.51%	6.22%	5.93%

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Investment property

The fair value measurement for investment property of \$1,163.23 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

Valuation techniques and unobservable inputs

Fair Value Hierarchy	Class of Property	Fair Value 30 June 2019 \$'000's	Valuation Technique	Inputs Used To Measure Fair Value	Range of Individual Property Unobservable Inputs
Level 3	Pubs	1,163,230	Capitalisation method	Gross rent p.a. (\$'000's) Land tax p.a. (\$'000's) Adopted capitalisation rate	\$84 - \$1,782 \$7 - \$166 2.75% - 6.93%
			Discounted cash flow method	Gross rent p.a. (\$'000's) Land tax p.a. (\$'000's) Discount rates p.a. Terminal capitalisation rates Consumer price index p.a.	\$84 - \$1,782 \$7 - \$166 6.25% - 9.36% 5.50% - 7.75% 2.00% - 2.60%

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

Ownership arrangements

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

Leasing arrangements

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

	2019 \$'000	2018 \$'000
<i>(i) Future minimum lease payments</i>		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	63,258	61,408
Later than one year but not later than five years	265,941	262,582
Later than five years	382,363	454,044
	711,562	778,034

(ii) Amount recognised in the profit and loss

Rental income	60,219	58,095
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The majority of ALE's leases expire in November 2028 and have 4 x 10 year options to extend. As the exercise of the options are unknown at this point the future minimum lease payments exclude the options. The comparative numbers have been calculated on the same basis.

Put and call options

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

Valuation type and date

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

A	Independent valuations conducted during June 2019 with a valuation date of 30 June 2019.
B	Directors' valuations conducted during June 2019 with a valuation date of 30 June 2019.

Properties were purchased in November 2003, unless otherwise indicated.

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Investment property

Property	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2019 \$'000	Fair value at 30 June 2018 \$'000	Fair value gains/ (losses) 2019 \$'000
New South Wales					
Blacktown Inn, Blacktown	5,472	A	13,900	13,550	350
Brown Jug Hotel, Fairfield Heights	5,660	B	13,960	13,550	410
Colyton Hotel, Colyton	8,208	B	20,750	20,150	600
Crows Nest Hotel, Crows Nest	8,772	A	22,800	19,980	2,820
Melton Hotel, Auburn	3,114	B	7,870	7,650	220
Narrabeen Sands Hotel, Narrabeen (Mar 09)	8,945	B	16,130	15,400	730
New Brighton Hotel, Manly	8,867	B	11,540	11,540	-
Pioneer Tavern, Penrith	5,849	B	15,050	14,600	450
Pritchard's Hotel, Mount Pritchard (Oct 07)	21,130	B	29,900	29,900	-
Smithfield Tavern, Smithfield	4,151	A	10,400	10,040	360
Total New South Wales properties	80,168		162,300	156,360	5,940
Queensland					
Albany Creek Tavern, Albany Creek	8,396	A	18,700	18,470	230
Alderley Arms Hotel, Alderley	3,303	B	7,540	7,730	(190)
Anglers Arms Hotel, Southport	4,434	B	11,210	11,000	210
Balaclava Hotel, Cairns	3,304	B	13,540	13,300	240
Breakfast Creek Hotel, Breakfast Creek	11,024	A	23,500	19,360	4,140
Burleigh Heads Hotel, Burleigh Heads (Nov 08)	6,685	A	15,700	15,550	150
Camp Hill Hotel, Camp Hill	2,265	A	6,500	7,160	(660)
Chardons Corner Hotel, Annerly	1,416	B	3,500	3,400	100
Dalrymple Hotel, Townsville	3,208	A	14,200	13,500	700
Edge Hill Tavern, Manoora	2,359	B	6,230	6,400	(170)
Edinburgh Castle Hotel, Kedron	3,114	A	7,400	7,450	(50)
Four Mile Creek, Strathpine (Jun 04)	3,672	B	8,940	9,180	(240)
Hamilton Hotel, Hamilton	6,604	B	15,990	15,700	290
Holland Park Hotel, Holland Park	3,774	A	15,200	14,740	460
Kedron Park Hotel, Kedron Park	2,265	A	4,800	4,650	150
Kirwan Tavern, Townsville	4,434	B	12,920	12,700	220
Lawnton Tavern, Lawnton	4,434	B	9,250	9,500	(250)
Miami Tavern, Miami ¹	5,548	B	14,620	14,900	(280)
Mount Gravatt Hotel, Mount Gravatt	3,208	B	7,110	7,310	(200)
Mount Pleasant Tavern, Mackay	1,794	B	11,290	11,100	190
Noosa Reef Hotel, Noosa Heads (Jun 04)	6,874	B	11,490	11,800	(310)
Nudgee Beach Hotel, Nudgee	3,020	B	6,900	7,090	(190)
Palm Beach Hotel, Palm Beach	6,886	B	14,510	14,900	(390)
Pelican Waters, Caloundra (Jun 04)	4,237	A	7,600	8,980	(1,380)
Prince of Wales Hotel, Nundah	3,397	A	9,400	9,940	(540)
Racehorse Hotel, Booval	1,794	B	7,240	7,100	140
Redland Bay Hotel, Redland Bay	5,189	A	10,000	10,530	(530)
Royal Exchange Hotel, Toowong	5,755	B	10,110	10,300	(190)
Springwood Hotel, Springwood	9,150	B	20,260	19,900	360
Stones Corner Hotel, Stones Corner	5,377	A	10,800	10,800	-
Vale Hotel, Townsville	5,661	A	15,300	15,010	290
Wilsonton Hotel, Toowoomba	4,529	A	13,300	11,940	1,360
Total Queensland properties	147,110		365,050	361,390	3,660

1. Includes adjacent lot purchased in April 2018

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Investment property

Property	Cost including additions \$'000	Valuation type and date	Fair value at 30 June 2019 \$'000	Fair value at 30 June 2018 \$'000	Fair value gains/ (losses) 2019 \$'000
South Australia					
Aberfoyle Hub Tavern, Aberfoyle Park	3,303	B	7,250	7,250	-
Eureka Tavern, Salisbury	3,303	A	6,300	6,300	-
Exeter Hotel, Exeter	1,888	A	5,000	4,590	410
Finsbury Hotel, Woodville North	1,605	A	4,700	4,040	660
Gepps Cross Hotel, Blair Athol	2,507	B	8,200	8,200	-
Hendon Hotel, Royal Park	1,605	B	4,200	4,200	-
Stockade Tavern, Salisbury	4,435	B	6,250	6,250	-
Total South Australian properties	18,646		41,900	40,830	1,070
Victoria					
Ashley Hotel, Braybrook	3,963	A	10,600	9,860	740
Bayswater Hotel, Bayswater	9,905	B	22,400	22,000	400
Berwick Inn, Berwick (Feb 06)	15,888	A	20,800	21,280	(480)
Blackburn Hotel, Blackburn	9,433	B	19,870	19,500	370
Blue Bell Hotel, Wendouree	1,982	A	5,500	5,410	90
Boundary Hotel, East Bentleigh (Jun 08)	17,943	B	27,130	26,640	490
Burvale Hotel, Nunawading	9,717	A	25,000	23,630	1,370
Club Hotel, Ferntree Gully	5,095	B	12,410	12,200	210
Cramers Hotel, Preston	8,301	B	19,360	19,030	330
Deer Park Hotel, Deer Park	6,981	B	18,510	16,200	2,310
Doncaster Inn, Doncaster	12,169	B	26,040	25,590	450
Ferntree Gully Hotel/Motel, Ferntree Gully	4,718	B	9,160	9,000	160
Gateway Hotel, Corio	3,114	B	8,700	8,380	320
Keysborough Hotel, Keysborough	9,622	B	24,400	23,500	900
Mac's Melton Hotel, Melton	6,886	A	16,000	15,010	990
Meadow Inn Hotel/Motel, Fawkner	7,689	B	18,400	18,090	310
Mitcham Hotel, Mitcham	8,584	A	17,800	18,690	(890)
Morwell Hotel, Morwell	1,511	B	2,620	2,580	40
Olinda Creek Hotel, Lilydale	3,963	B	9,060	8,900	160
Pier Hotel, Frankston	8,019	A	16,700	16,990	(290)
Plough Hotel, Mill Park	8,490	A	19,250	17,440	1,810
Prince Mark Hotel, Doveton	9,810	B	22,390	22,000	390
Royal Exchange, Traralgon	2,171	A	6,600	5,270	1,330
Sandbelt Club Hotel, Moorabbin	10,849	A	25,500	24,780	720
Sandown Park Hotel/Motel, Noble Park	6,321	B	14,510	13,970	540
Sandringham Hotel, Sandringham	4,529	A	13,500	12,940	560
Somerville Hotel, Somerville	2,733	B	7,660	7,380	264
Stamford Inn, Rowville	12,733	A	29,300	30,000	(700)
Sylvania Hotel, Campbellfield	5,377	A	13,000	13,500	(500)
The Vale Hotel, Mulgrave	5,566	B	15,600	13,650	1,950
Tudor Inn, Cheltenham	547,247	B	13,020	12,800	173
Village Green Hotel, Mulgrave	12,546	A	28,000	26,370	1,630
Young & Jackson, Melbourne	6,132	B	23,400	23,400	-
Total Victorian properties	789,987		562,190	545,980	16,147
Western Australia					
Queens Tavern, Highgate	4,812	B	10,090	10,090	-
Sail & Anchor Hotel, Fremantle	3,114	B	4,700	4,700	-
The Brass Monkey Hotel, Northbridge (Nov 07)	7,815	B	9,550	9,550	-
Balmoral Hotel, East Victoria Park (Jul 07)	6,645	B	7,450	7,360	(178)
Total Western Australian properties	22,386		31,790	31,700	(178)
Total investment properties	1,058,297		1,163,230	1,136,260	26,639

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

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

3.1 Borrowings

3.2 Financial risk management

3.3 Equity

3.4 Capital management

3.5 Cash and cash equivalents

3.1 Borrowings

	2019 \$'000	2018 \$'000
Non-current borrowings		
Capital Indexed Bond (CIB) Australian Medium Term Notes (AMTN)	153,331	150,652
	374,192	373,857
	527,523	524,509

CIB	2019 \$'000	2018 \$'000
Gross value of debt	111,900	111,900
Accumulated indexation	41,934	39,343
Unamortised borrowing costs	(503)	(591)
Net balance	153,331	150,652

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

AMTN	2019 \$'000	2018 \$'000
Gross value of debt	375,000	375,000
Unamortised borrowing costs	(808)	(1,143)
Net balance	374,192	373,857

On 10 June 2014 ALE issued \$225 million AMTN with a maturity date of 20 August 2020.

On 8 March 2017 ALE issued a further \$150m AMTN, with a maturity date of 20 August 2022.

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

Recognition and measurement

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

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

Assets pledged as security

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

	2019 \$'000	2018 \$'000
Current assets		
Cash - CIB borrowings reserves	8,390	8,390
Non-current assets		
Total investment properties	1,163,230	1,136,260
Less: Properties not subject to mortgages		
Pritchard's Hotel, NSW	(29,900)	(29,900)
Miami Hotel, QLD ¹	(1,480)	(1,400)
Properties subject to mortgages	1,131,850	1,104,960
Total assets pledged as security	1,140,240	1,113,350

1. Adjoining property purchased in April 2018

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

Terms and Repayment Schedule

	Nominal Interest Rate	Maturity Date ¹	30 June 2019		30 June 2018	
			Face Value \$'000	Carrying Amount \$'000	Face Value \$'000	Carrying Amount \$'000
AMTN	5.00%	Aug-2020	225,000	225,000	225,000	225,000
AMTN	4.00%	Aug-2022	150,000	150,000	150,000	150,000
CIB	3.40% ²	Nov-2023	111,900	153,834	111,900	151,243
			486,900	528,834	486,900	526,243
Unamortised borrowing costs				(1,311)		(1,734)
Total borrowings				527,523		524,509

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

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

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

	CIB Borrowings	AMTN Borrowings	Total Borrowings
Balance as at 1 July 2018	150,652	373,857	524,509
Changes from financing cash flows			
Capitalised borrowing costs	-	-	-
Total changes from financing cash flows	-	-	-
Other changes			
Amortisation of capitalised borrowing costs	88	335	423
Accumulated indexation	2,591	-	2,591
Total other changes	2,679	335	3,014
Balance as at 30 June 2019	153,331	374,192	527,523

Fair value

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

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

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

	Carrying Amount \$'000	Fair Value \$'000
30 June 2019		
CIB	153,331	168,488
AMTN	374,192	385,035
	527,523	553,523
30 June 2018		
CIB	150,652	165,572
AMTN	373,857	382,082
	524,509	547,654

Valuation techniques used to derive level 2 fair values

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

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

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

Both borrowings are classed as Level 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

3.2 Financial Risk Management

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

- credit risk
- market risk
- liquidity risk

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

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

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

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

Credit risk

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

Cash

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

Trade and other receivables

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

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

Market risk

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

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

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

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

Profile

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

	2019 \$'000	2018 \$'000
Derivative financial assets	691	834
Derivative financial liabilities	(35,415)	(10,403)
Borrowings		
CIB	(153,331)	(150,652)
AMTN	(374,192)	(373,857)
	(562,247)	(534,078)

Sensitivity analysis

A change of 100 basis points in the prevailing nominal market interest rates at the reporting date would have increased/(decreased) Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the CPI, remain constant. The analysis was performed on the same basis for 2018.

	100 bps increase \$'000	100 bps decrease \$'000
30 June 2019		
Interest rate hedges	16,973	(18,495)
CIB	-	-
AMTN	-	-
	16,973	(18,495)
30 June 2018		
Interest rate hedges	14,073	(15,862)
CIB	-	-
AMTN	-	-
	14,073	(15,862)

Consumer price index risk

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

Profile

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

	2019 \$'000	2018 \$'000
Financial instruments		
Investment properties	1,163,230	1,136,260
CIB	(153,331)	(150,652)
	1,009,899	985,608

Sensitivity analysis for variable rate instruments

A change of 100 bps in CPI at the reporting date would increase rent and hence property value would have increased Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and capitalisation rates applicable to investment properties, remain constant. The analysis was performed on the same basis for 2018.

	100 bps increase \$'000	100 bps decrease \$'000
30 June 2019		
Investment properties	11,212	-
CIB	-	-
	11,212	-
30 June 2018		
Investment properties	12,687	-
CIB	-	-
	12,687	-

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

Property valuation risk

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

Liquidity risk

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

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

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

	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than five years \$'000
30 June 2019						
Non-derivative financial liabilities						
Trade and other payables	(8,634)	(8,634)	-	-	-	-
CIB	(194,801)	(2,584)	(2,606)	(5,264)	(184,347)	-
AMTN	(412,875)	(8,625)	(8,625)	(236,625)	(159,000)	-
Derivative financial instruments						
Interest rate hedges	(38,174)	333	365	(3,812)	(21,456)	(13,604)
	(654,484)	(19,510)	(10,866)	(245,701)	(364,803)	(13,604)
30 June 2018						
Non-derivative financial liabilities						
Trade and other payables	(8,347)	(8,347)	-	-	-	-
CIB	(198,144)	(2,557)	(2,585)	(5,238)	(16,266)	(171,498)
AMTN	(430,125)	(8,625)	(8,625)	(17,250)	(395,625)	-
Derivative financial instruments						
Interest rate hedges	(11,421)	202	233	425	(6,721)	(5,560)
	(648,037)	(19,327)	(10,977)	(22,063)	(418,612)	(177,058)

Interest rates used to determine contractual cash flows

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

Interest rate hedges

ALE uses derivative financial instruments, being interest rate hedges, to manage its exposure to interest rate risk on borrowings. As at balance date, ALE has hedged all fixed rate debt past the maturity date to November 2025 through interest rate hedges.

	2019 \$'000	2018 \$'000
Current assets	691	-
Non current assets	-	834
Total assets	691	834
Current liabilities	-	-
Non current liabilities	(35,415)	(10,403)
Total liabilities	(35,415)	(10,403)
Net assets/(liabilities)	(34,724)	(9,569)

Current year fair value adjustments to derivatives

	2019 \$'000	2018 \$'000
Fair value increments/ (decrements) to interest rate hedge derivatives	(25,155)	(4,738)

Recognition and measurement

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

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

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

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

At 30 June 2019, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Borrowing Interest Rate Hedges		Deposit Interest Rate Hedges		Net Hedge Position	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Less than 1 year	-	-	(30,000)	-	(30,000)	-
1 - 2 years	-	-	-	(30,000)	-	(30,000)
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	-	-	-	-	-	-
Greater than 5 years	506,000	506,000	-	-	506,000	506,000

ALE has a series of forward start borrowing hedges in place and a deposit hedge that is currently active.

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

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

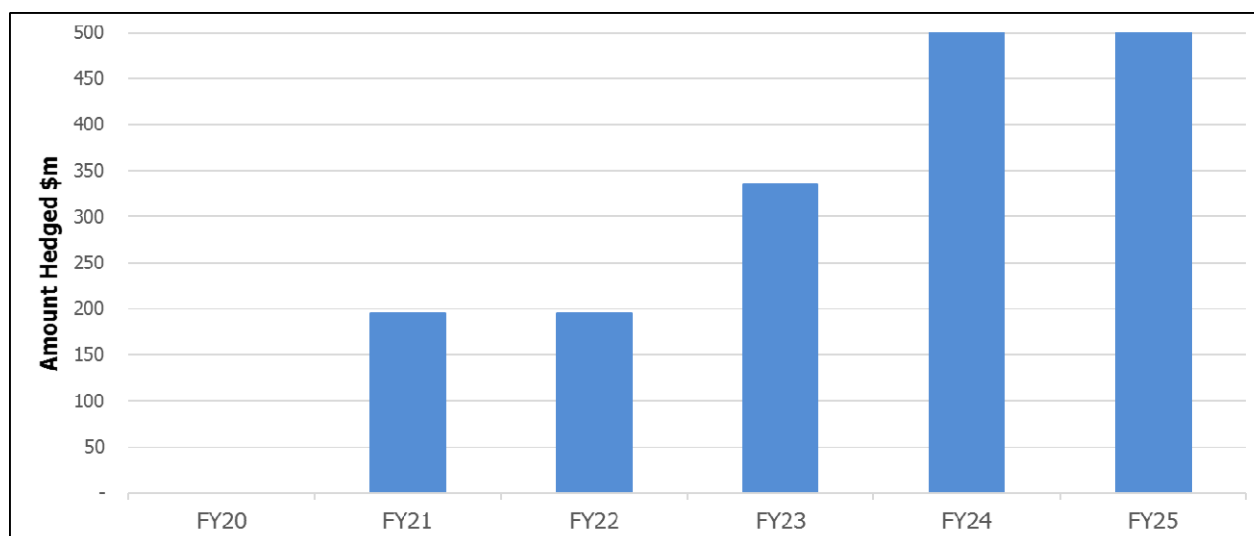
The average term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE is 6.4 years at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

The following chart shows the hedge balances to November 2025.



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

Financial covenants

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

Interest Cover Ratio covenants (ICR)

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

Definitions

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

Rating covenant

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

Loan to Value Ratio covenants (LVR)

Borrowing	LVR Covenant	Consequence
CIB	The issuance of new CIB is not permitted if the indexed value of the resultant total CIB exceeds 25% of the value of properties held as security	Note holders may call for notes to be redeemed
CIB	Outstanding value of CIB not to exceed 66.6% of the value of properties held as security	Note holders may call for notes to be redeemed
AMTN	The new issuance of Net Priority Debt is not permitted to exceed 20% of Net Total Assets	Note holders may call for notes to be redeemed
AMTN	Net Finance Debt not to exceed 60% of Net Total Assets	Stapled Security distribution lockup
AMTN	Net Finance Debt not to exceed 65% of Net Total Assets	Note holders may call for notes to be redeemed
Hedging	As per AMTN above	As per AMTN above

Definitions

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

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

ALE currently considers that significant headroom exists with respect of all the above covenants. At all times during the years ended 30 June 2019 and 30 June 2018, ALE and its subsidiaries were in compliance with all the above covenants.

3.3 Equity

	2019 \$'000	2018 \$'000
Balance at the beginning of the period	258,118	258,118
No movement	-	-
	258,118	258,118
Movements in the number of fully paid stapled securities during the year	2019 Number	2018 Number
Opening balance	195,769,080	195,769,080
No movement	-	-
Closing balance	195,769,080	195,769,080

Measurement and recognition

Ordinary units and ordinary shares are classified as contributed equity.

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

Stapled securities

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

No income voting units (NIVUS)

The Trust issued 9,080,010 of no income voting units (NIVUS) to the Company, fully paid at \$1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of \$1.00, carry no rights to income from the Trust and entitle the holder to no more than \$1.00 per NIVUS upon the winding-up of the Trust. The Company has a voting power of 4.43% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company and the Trust financial reports but are not disclosed in the ALE Property Group financial report as they are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

3. Capital structure and financing

The NIVUS were issued to ensure the Responsible Entity maintained sufficient Net Tangible Assets to satisfy the requirements of the company's AFSL Licence.

3.4 Capital management

Capital management

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

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

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

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

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

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

The total gearing ratios (total liabilities as a percentage of total assets) at 30 June 2019 and 30 June 2018 were 49.4% and 47.7% respectively.

The covenant gearing ratios (gross borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets of ALE DPT) at 30 June 2019 and 30 June 2018 were 41.5% and 41.6% respectively.

3.5 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand	14,648	2,551
Deposits at call	10,073	35,073
Cash reserve	8,390	8,390
	33,111	46,014

Recognition and measurement

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

Cash obligations

An amount of \$8.39 million is required to be held as a cash reserve as part of the terms of the CIB issue in order to provide liquidity for CIB obligations to scheduled maturity of 20 November 2023.

An amount of \$2.00 million is required to be held in a term deposit by the Company to meet minimum net tangible asset requirements of the AFSL licence.

During the year ended 30 June 2019 all cash assets were placed on deposit with various banks. As at 30 June 2019, the weighted average interest rate on all cash assets was 1.64% (2018:2.46%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

4. Business performance

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

4.1 Revenue and income

4.2 Other expenses

4.3 Finance costs

4.4 Taxation

4.5 Remuneration of auditors

4.6 Distributable income

4.7 Earnings per security

4.1 Revenue and income

	2019 \$'000	2018 \$'000
Revenue		
Rent from investment properties	60,219	58,095
Interest from cash deposits	782	1,049
Total revenue	61,001	59,144
Other income		
Fair value increments to investment properties	26,639	54,273
Fair value increments to derivatives	-	-
Other income	-	-
Total other income	26,639	54,273
Total revenue and other income	87,640	113,417

Recognition and measurement

Revenue

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

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

Rental income

During the current and previous financial years, ALE's investment property lease rentals were reviewed to state based CPI annually and are not subject to fixed increases, apart from the lease for the Pritchard's Hotel, NSW which has fixed increases of 3%.

Interest income

As at 30 June 2019 the weighted average interest rate earned on cash was 1.64% (2018: 2.46%)

4.2 Other expenses

	2019 \$'000	2018 \$'000
Audit, accounting, tax and professional fees	214	196
Annual reports	63	98
Depreciation expense	27	16
Insurance	241	176
Legal fees	230	174
Occupancy costs	129	121
Corporate and property expenses	3,683	1,624
Property revaluations, and condition and compliance	420	394
Direct property expenses	52	2
Registry fees	100	111
Staff training	18	24
Travel and accommodation	25	61
Trustee and custodian fees	178	177
Total other expenses	5,380	3,174
Total other expenses	5,380	3,174
Salaries and related costs	2,335	2,759
Less: Share based payments expense	(117)	(235)
Total cash other expenses	7,598	5,698

Recognition and measurement

Expenses including operating expenses, Queensland land tax expense and other outgoings (if any) are brought to account on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

4. Business performance

4.3 Finance costs

	2019 \$'000	2018 \$'000
Finance costs - cash		
Capital Indexed Bonds (CIB)	5,206	5,116
Australian Medium Term Notes (AMTN)	17,250	17,250
Interest rate derivative payments/(receipts)	(475)	(518)
Other finance expenses	222	217
	22,203	22,065
Finance costs - non-cash		
Accumulating indexation - CIB	2,591	2,819
Amortisation - CIB	88	80
Amortisation - AMTN	259	242
Amortisation - AMTN discount	76	73
	3,014	3,214
Finance costs (cash and non-cash)	25,217	25,279

Recognition and measurement

Interest expense is recognised on an accruals basis.

Borrowing costs are recognised using the effective interest rate method.

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

Finance costs details

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

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

4.4 Taxation

Reconciliation of income tax expense

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

	2019 \$'000	2018 \$'000
Profit before income tax	26,646	75,111
Profit attributable to entities not subject to tax	26,388	74,790
Profit/(Loss) before income tax expense subject to tax	258	321
Tax at the Australian tax rate	77	96
Share based payments	(63)	(80)
Other	-	-
Under/(over) provision in prior years	12	5
Income tax expense/(benefit)	26	21
Current tax expense/(benefit)	15	24
Deferred tax expense/(benefit)	11	(3)
Income tax expense/(benefit)	26	21

Recognition and measurement

Trusts

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

Current tax

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

4. Business performance

4.4 Taxation (continued)

Deferred tax

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

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

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

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

Offsetting deferred tax balances

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

4.5 Remuneration of auditors

	2019 \$	2018 \$
Audit services		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports		
- in relation to current year	194,065	159,000
- in relation to prior year	8,000	-
Total remuneration for audit services	202,065	159,000
<i>KPMG Australian firm:</i>		
Other services	20,000	-
Total remuneration for all services	222,065	159,000

4.6 Distributable income

Reconciliation of profit after tax to amounts available for distribution:

	2019 \$'000	2018 \$'000
Profit after income tax	26,620	75,090
Plus /(less)		
Fair value adjustments to investment properties	(26,639)	(54,273)
Fair value adjustments to derivatives - net	25,155	4,738
Employee share based payments	117	235
Finance costs - non cash	3,014	3,214
Income tax expense	26	21
Adjustments for non-cash items	1,673	(46,065)
Total available for distribution	28,293	29,025
Distribution paid or provided for	40,916	40,720
Over distributed	(12,623)	(11,695)
Distribution funded as follows		
Current year distributable profits	28,293	29,025
Capital and surplus cash	12,623	11,695
	40,916	40,720

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

4. Business performance

4.7 Earnings per security

Basic earnings per stapled security

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

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

	2019	2018		2019	2018
Profit attributable to members of the Group (\$'000's)	26,620	75,090	Distributable profit attributable to members of the Group (\$'000's)	28,293	29,025
Weighted average number of stapled securities	195,769,080	195,769,080	Number of stapled securities at the end of the year	195,769,080	195,769,080
Basic earnings per security (cents)	13.60	38.36	Distributable profit per security (cents)	14.45	14.83

Diluted earnings per stapled security

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

	2019	2018
Profit attributable to members of the Group (\$'000's)	26,620	75,090
Weighted average number of stapled securities	195,929,320	195,946,060
Diluted earnings per security (cents)	13.59	38.32

Distributed profit per security

	2019	2018
Distributable income per stapled security	14.45	14.83
Distribution paid per stapled security	20.90	20.80
Under/(over) distributed for the year	(6.45)	(5.97)

Distribution funded as follows

Current year distributable profits	14.45	14.83
Capital and surplus cash	6.45	5.97
	20.90	20.80

Distributable profit per security

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year ended 30 June 2019

5. Employee benefits

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

5.1 Employee benefits

5.2 Key management personnel compensation

5.1 Employee benefits

	2019 \$'000	2018 \$'000
Employee benefits provision:		
Current	294	255

Recognition and measurement

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

5.2 Key management personnel compensation

	2019 \$	2018 \$
Short term employee benefits	1,777,220	1,992,500
Post employment benefits	107,799	113,837
Other long term benefits	26,149	39,089
Share based payments	117,500	234,960
Termination benefits	-	-
	2,028,668	2,380,386

Recognition and measurement

Wages and salaries, annual leave and sick leave

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

Bonus and incentive plans

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

5.3 Employee share plans

Long service leave

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

Retirement benefit obligations

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

5.3 Employee share plans

Executive Stapled Security Scheme (ESSS)

The ESSS was established in 2012. The grant date fair value of ESSS Rights granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the ESSS rights. The amount recognised as an expense is adjusted to reflect the actual number of ESSS Rights that vest.

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

6. Other

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

6.1 Changes to accounting policies

6.2 New accounting standards

6.3 Segment reporting

6.4 Events occurring after balance date

6.5 Contingent liabilities and contingent assets

6.6 Investments in controlled entities

6.7 Related party transactions

6.8 Parent Entity Disclosures

6.1 Changes to accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from 1 July 2018. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

AABS 15 Revenue from Contracts with Customers

AABS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under AABS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AABS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). AABS 15 did not have a significant impact on the Group's accounting policies with respect to any revenue streams.

AABS 9 Financial Instruments

AABS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of AABS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments).

6.2 New accounting standards

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

AABS 16 Leasing

AASB 16 establishes a comprehensive framework the accounting policies and disclosures applicable to leases, both for lessees and lessors. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has assessed the potential impact on its financial statements resulting from the application of AASB 16 to be immaterial.

Other standards

Other amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

6.3 Segment reporting

Business segment

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

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

All of ALE Property Group's pub properties are leased to members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2018: 100%). Non pub rental income comprises less than 1% of total revenue.

Notes to the financial statements (continued)

For the Year ended 30 June 2019

6. Other

6.4 Events occurring after balance date

On 3 July 2019 Woolworths announced that it intends to combine ALH and Endeavour Drinks in late CY19 and then separate the combined entity from Woolworths in CY20. ALE will continue to monitor these developments closely.

Subsequent to 30 June 2019, long term interest rates have continued to decline. This has resulted in an increase in the fair value of the net derivative liability position in the period since 30 June 2019. As at 5 August 2019 the value of that liability has increased by approximately \$5.5 million to \$40.2 million. The liability has not changed materially between 5 August 2019 and the date of this report.

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

6.5 Contingent liabilities and contingent assets

Bank guarantee

ALE has entered into a bank guarantee of \$73,273 in respect of the office tenancy at Level 10, 6 O'Connell Street, Sydney.

6.6 Investments in controlled entities

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

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

6.7 Related party transactions

Parent entity and subsidiaries

Details are set out in Note 6.6 and 6.8.

Key management personnel

Key management personnel and their compensation are set out in the Remuneration Report on Page 17.

Transactions with related parties

For the year ended 30 June 2019, the Company received \$4,009,810 of expense reimbursement from the Trust (2018: \$4,359,742), and the Finance Company charged the Sub Trust \$7,904,515 interest (2018: \$8,033,147).

Robert Mactier is a consultant to UBS AG. UBS AG has provided debt lead management services to ALE in the past and may continue to do so in the future. Mr Mactier does not take part in any decisions to appoint UBS AG in relation to debt lead management services provided by UBS AG to ALE.

Terms and conditions

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

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

6.8 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2019 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2019 \$'000	2018 \$'000
Profit for the year	28,293	29,026
<i>Financial position of the parent entity</i>		
Current assets		
Cash	21	21
Non current assets		
Investments in controlled entities	275,656	275,656
Total assets	275,677	275,677
Current liabilities		
Payables	39,312	26,690
Provisions	20,458	20,458
Total liabilities	59,770	47,148
Net assets	215,907	228,529
Issued units	252,431	252,431
Retained earnings	(36,524)	(23,902)
Total equity	215,907	228,529

DIRECTORS' DECLARATION

For the Year ended 30 June 2019

In the opinion of the directors of the Company:

- (a) the financial statements and notes that are set out on pages 22 to 48 and the Remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of ALE's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that ALE will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by *Section 295A of the Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2019.
- (d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Robert Mactier
Chairman



Andrew Wilkinson
Managing Director

Dated this 7th day of August 2019



Independent Auditor's Report

To the stapled security holders of ALE Property Group

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- *Consolidated statement of financial position* as at 30 June 2019;
- *Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

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

Basis for opinion

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

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

We are independent of the Stapled Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

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

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

Valuation of Investment Properties (\$1,163.23m)	
Refer to Note 2 of the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The valuation of investment properties is a key audit matter due to the significance of the balance and judgement required by us in assessing the key valuation assumptions, methodologies and the final adopted values.</p> <p>The Group's investment properties comprise direct ownership of 86 freehold hotels. All 86 properties have long-term lease agreements in place with Australian Leisure and Hospitality Group (ALH).</p> <p>During the 2019 financial year, the first major rent review commenced on 79 of ALE's 86 investment properties where the passing rent may increase or decrease by up to 10%. Of these 79 properties, 36 rent notices were accepted by ALH and the remaining 43 rent notices were rejected and are now subject to independent determination.</p> <p>Investment properties are subject to external independent valuation once every three years on a rotational basis. In the years they are not independently valued, they are valued internally by the Directors, using key comparators from like-properties subject to independent valuation.</p> <p>We focused on important features of the Group's investment property valuation process, as they critically impact property values selected. In order of application, these included:</p> <ul style="list-style-type: none"> • Categorisation of investment properties: used firstly to distinguish their rotational schedule for independent valuation, such that at least one property in each category is covered, and secondly, to identify unique attributes of the property. These attributes include location, asset condition, trading performance, land areas and iconic profile of the building. In the current period, 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Checking the investment properties valuation process is carried out rotationally in accordance with Group policies; and • Assessing the consistency of the valuation methodology applied to the accounting standards and Group policies. <p>For a sample of externally valued properties:</p> <ul style="list-style-type: none"> • Meeting the valuers (Savills for NSW and QLD and CBRE for VIC and SA) to discuss and challenge the valuation methodology and the assumptions; • Assessing the competence and objectivity of the Group's external valuation experts; • Challenging key assumptions including capitalisation rates, discounts rates, terminal capitalisation rates and future rental income (including anticipated rental for rent disputed properties) by comparing to publically available sales evidence from industry commentators, historical data and the property specific attributes including location, asset condition and land area; and • Challenging the final property value by comparing the cap rate and DCF valuations, and reconciling differences to property specific attributes. These include location, asset condition, trading performance, land area, proximity to the next market rent reassessments and whether the rent notice is undergoing determination. <p>For a sample of internally valued properties:</p>

<p>management included an added attribute of 'rent accepted' properties and 'rent disputed' properties to reflect the rental determinations in progress. We assessed the use of these unique attributes for the implications on property values for bias and extrapolation purposes;</p> <ul style="list-style-type: none"> • Key assumptions and methodology adopted in the independent valuation methodologies: being capitalisation rates, discount rates and future rental income inputs to the capitalisation rate (cap rate) and discounted cash flow (DCF) methodology. A key feature of the long-term leases that impact DCF values are the rental assessments in 2019 (limited to properties whose rental is under determination) and 2028 upon reversion to market based levels of rent; • Judgements in assessing the results: the Group adopts a final property value based on their evaluation of the results of the independent valuers work, taking into consideration property specific attributes. We spent significant effort in assessing the basis of these judgements, their consistent application and available market comparators; and • Extrapolation approach: for the remaining properties not independently valued, director's valuations capitalise current rent using last year's capitalisation rate for that property, adjusted by the average percentage change in capitalisation rate from the external independent valuations (percentage change) for properties with similar attributes. 	<ul style="list-style-type: none"> • Assessing the basis for the extrapolation methodology including stratification by state, asset type and rental determination (accepted or disputed) by evaluating the extrapolation advice from the independent valuers; and • Evaluating the adjustments made to the average percentage change in capitalisation rate by evaluating the reason for the exclusion. Using our knowledge of the business and the industry we reconciled this to our understanding of the impact of the property specific attributes.
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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



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

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

Opinion

In our opinion, the Remuneration Report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 9 of the Directors' report of the Company, also included in ALE Property Group annual report, for the year ended 30 June 2019.

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

KPMG

Eileen Hoggett

Partner

Sydney

7 August 2019

INVESTOR INFORMATION

For the Year ended 30 June 2019

Securityholders

The securityholder information as set out below was applicable as at 24 July 2019.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of Holders	Number of Securities	% of Issued Capital
1 - 1,000	770	255,725	0.13
1,001 - 5,000	1,378	4,187,705	2.14
5,001 - 10,000	959	7,319,365	3.74
10,001 - 100,000	1,491	38,746,471	19.79
100,001+	105	145,259,814	74.20
Total	4,703	195,769,080	100.01

The stapled securities are listed on the ASX and each stapled security comprises one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The number of securityholders holding less than a marketable parcel of stapled securities is 325.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	Citicorp Nominees Pty Limited	25,609,598	13.08
2	UBS Nominees Pty Ltd	21,682,072	11.08
3	Woolworths Group Limited	17,076,936	8.72
4	HSBC Custody Nominees (Australia) Limited	14,630,161	7.47
5	Brispot Nominees Pty Ltd [House Head Nominee A/C]	8,968,676	4.58
6	Manderrah Pty Ltd [GJJ Family A/C]	6,600,000	3.37
7	National Nominees Limited	5,157,450	2.63
8	HSBC Custody Nominees (Australia) Limited - A/C 2	4,953,648	2.53
9	HSBC Custody Nominees (Australia) Limited-GSI EDA	4,252,288	2.17
10	J P Morgan Nominees Australia Pty Limited	3,983,018	2.03
11	HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,315,192	1.69
12	CS Third Nominees Pty Limited [Hsbc Cust Nom Au Ltd 13 A/C]	2,331,806	1.19
13	Buttonwood Nominees Pty Ltd	1,500,000	0.77
14	Netwealth Investments Limited [Wrap Services A/C]	1,398,240	0.71
15	Mr Alastair Charles Griffin	1,397,876	0.71
16	Mr Edward Furnival Griffin	1,397,875	0.71
17	Mr David Calogero Loggia	976,323	0.50
18	Mr David Stewart Field	812,000	0.41
19	Bnp Paribas Noms Pty Ltd [DRP]	756,576	0.39
20	BT Portfolio Services Limited [Caergwrl Invest P/L A/C]	745,787	0.38
Totals: Top 20 Holders of Stapled Securities		127,545,522	65.15
Totals: Remaining Holders Balance		68,223,558	34.85

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 24 July 2019) are set out below:

Stapled Securityholder	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	67,584,734	34.52
Woolworths Limited	17,076,936	8.72
UBS Group AG	10,241,320	5.23

INVESTOR INFORMATION

For the Year ended 30 June 2019

D. VOTING RIGHTS

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

(a) Stapled securities

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

(b) NIVUS

Each NIVUS entitles the Company to one vote at a meeting of the Trust. 9,080,010 NIVUS have been issued by the Trust to the Company and 195,769,080 units have been issued by the Trust to stapled securityholders. The NIVUS therefore represent 4.43% of the voting rights of the Trust.

E. ASX ANNOUNCEMENTS

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

2019	2018
07 Aug Full Year Results, Annual Review / Report and Property Compendium released	18 Dec Half Year distribution of 10.45 cents declared
12 Jul Property valuations increased by 2.4%	13 Dec Caledonia increases substantial holding to 34.52%
03 Jul Announcement by Wollworths Relating to ALH	13 Nov Annual General Meeting
18 Jun Half Year distribution of 10.45 cents declared	02 Nov Allen Gray ceases to be a substantial shareholder
18 Jun Full Year distribution of 20.90 cents announced	05 Sep 2nd half distribution payment
05 Mar 1st half distribution payment	03 Sep Caledonia increases substantial holding to 34.41%
21 Feb Taxation Components of Distribution	03 Sep 2018 Market Rent Review Update
13 Feb Half Year results released	03 Sep Taxation Components of Distribution
13 Feb Property valuations as at 31 December 2018	08 Aug James McNally retires as a Director
	08 Aug Full Year Results, Annual Review / Report and Property Compendium released
The following events will occur after the date of this Annual Report:	08 Aug Corporate Governance Statement 2018
29 Oct Annual General Meeting	05 Jul James McNally announces retirement as a Director
05 Sep 2nd half distribution payment	05 Jul Caledonia increases substantial holding to 33.69%
	07 Jun Property valuations increased by 5.1%
	06 Jun Half Year distribution of 10.45 cents declared
	06 Jun Full Year distribution of 20.80 cents announced
	05 Mar 1st half distribution payment
	16 Feb Michael Triguboff appointed a Director
	16 Feb Taxation Components of Distribution
	14 Feb Half Year results released
	12 Feb Caledonia increases substantial holding to 32.41%
	12 Feb Allen Gray reduces substantial holding to 5.59%

INVESTOR INFORMATION

For the Year ended 30 June 2019

Stock Exchange Listing

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

Distribution Reinvestment Plan

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

Distributions

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

Electronic Payment of Distributions

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

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

Annual Tax Statement

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

Publications

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

Website

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

Securityholder Enquiries

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

Registered Office

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

Company Secretary

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

Auditors

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

Lawyers

Allens Linklaters
Level 28, Deutsche Bank Place
Sydney NSW 2000

Custodian (of Australian Leisure and Entertainment Property Trust)

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

Trustee (of ALE Direct Property Trust)

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

Registry

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



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Australian Leisure and Entertainment Property Management Limited

ABN 45 105 275 278

ANNUAL REPORT

2019

Australian Leisure and Entertainment Property Management Limited

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

WWW.ALEGROUP.COM.AU

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DIRECTORS' REPORT

For the Year ended 30 June 2019



The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2019.

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

Level 10
6 O'Connell Street
Sydney NSW 2000



1. DIRECTORS

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

Name	Experience, responsibilities and other directorships
 <p>Robert Mactier, B.Ec, MAICD <i>Independent Non Executive Director Chairman of the Board</i></p>	<p>Appointed: 28 November 2016 Member of the Audit, Compliance and Risk Management Committee (ACRMC) Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Appointed Chair: 23 May 2017</p> <p>Robert's other current roles include Chairman of ASX-listed WPP AUNZ Limited (since 2006) and Consultant to UBS AG in Australia (since June 2007). Between 2006 and January 2017 he served as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.</p> <p>Robert began his career at KPMG and from January 1986 to April 1990 worked across their audit, management consulting and corporate finance practices. He has extensive investment banking experience in Australia, having previously worked for Ord Minnett Securities, E.L. & C. Baillieu and Citigroup between 1990 and 2006.</p> <p>Robert holds a Bachelor's degree in economics from the University of Sydney, has been a Member of the Australian Institute of Company Directors since 2007 and is a former member of the Institute of Chartered Accountants in Australia and New Zealand.</p>
 <p>Phillipa Downes, BSc (Bus Ad), MAppFin, GAICD <i>Independent Non Executive Director</i></p>	<p>Appointed: 26 November 2013 Chair of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Appointed Chair of ACRMC: 26 October 2015</p> <p>Pippa Downes is a respected Non-Executive Director with over 25 years of distinguished career achievements in the international business and finance sector. Pippa currently sits on the board of the Australian Technology Innovators (Infotrack, LEAP legal software, Symplici), Windlab Limited, Sydney Olympic Park Authority and was recently appointed a Commissioner of Sport Australia. Pippa is a former Director of the ASX Clearing and Settlement companies and was a member of the ASX Disciplinary Tribunal.</p> <p>Pippa has had a successful international banking and finance career and has led the local derivative and investment arms of several of the world's premier Investment Banks. Her most recent role was as a Managing Director and Equity Partner of Goldman Sachs in Australia. She is a member of the Australian Institute of Company Directors and Women Corporate Directors and in 2016 was named as one of the Westpac/AFR's 100 Women of Influence for her work in diversity. Pippa's long standing passion for diversity, sport and educational disadvantage has been focussed through her governance and fundraising work on not for profit entities such as The Pinnacle Foundation, Swimming Australia and the Swimming Australia Foundation.</p> <p>She has a Master's in Applied Finance from Macquarie University and Bachelor of Science (Business Administration) from University of California, Berkeley. Pippa was a dual international athlete having been a member of the Australian Swim Team and represented Hong Kong at the International Rugby Sevens.</p>


DIRECTORS' REPORT

For the Year ended 30 June 2019


Name	Experience, responsibilities and other directorships
<p>Nancy Milne, <i>OAM, LLB, FAICD</i> <i>Independent Non Executive Director</i></p> 	<p>Appointed: 6 February 2015 Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee</p> <p>Nancy has been a professional non-executive director for over a decade. She is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance, risk management and corporate governance. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation, a Non-executive Director of FBR Limited and deputy chairman of the State Insurance Regulatory Authority. She is also currently the Chair of the Accounting Professional and Ethical Standards Board. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, State Plus and Novion Property Group (now Vicinity Centres).</p> <p>Nancy has a Bachelor of Laws from the University of Sydney. She is a member of the NSW Council of the Australian Institute of Company Directors and the Institute's Law Committee.</p>
<p>Paul Say, <i>FRICS, FAPI</i> <i>Independent Non Executive Director</i></p> 	<p>Appointed: 24 September 2014 Member of the ACRMC Chair of the Nominations Committee Chair of the Remuneration Committee</p> <p>Paul has over 35 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Paul was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance. Paul is a director of Frasers Logistic & Industrial Trust (SGX listed) and was previously a director of GPT Metro Office Fund.</p> <p>Paul has a Graduate Diploma in Finance and Investment and a Graduate Diploma in Financial Planning. He is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Australian Property Institute and a Licensed Real Estate Agent (NSW, VIC and QLD).</p>
<p>Michael Triguboff <i>Independent Non Executive Director</i></p> 	<p>Appointed: 15 February 2018</p> <p>Michael is a founding Director of Adexum Capital Limited, a private equity company investing in both public and private mid-market companies. Michael is also Chief Executive Officer of Pyrolyx AG, a dual listed German and Australian tyre recycling company.</p> <p>Mr Triguboff has a background in equity funds management with groups including MIR and Lazard Asset Management Pacific, and Lazard Asia Funds. He was a global partner of Lazard Freres & Co. He was previously based in the USA and held positions with Quantum Funds and Equity Investments with a focus on principal investments in both public and private companies.</p> <p>Michael's academic qualifications include; Bachelor of Arts from the University of Sydney, Bachelor of Laws from University of New South Wales, Master of Business Administration from New York University, Master of Business Systems from Monash University, Master of Computer Science from University of Illinois at Urbana - Champaign / Columbia University, and Master of Criminology and Master of Laws from University of Sydney.</p>
<p>James McNally <i>B.Bus (Land Economy), Dip. Law</i> <i>Non Executive Director</i></p> 	<p>Appointed: 26 June 2003 Resigned: 8 August 2018</p> <p>James was an executive and founding director of the company. James has over 20 years' experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry. James' qualifications include a Bachelor of Business in land economy and a Diploma of Law. James is also a registered valuer and licensed real estate agent.</p>

DIRECTORS' REPORT

For the Year ended 30 June 2019

Name	Experience, responsibilities and other directorships
<p>Andrew Wilkinson <i>B.Bus, CFTP, MAICD</i> <i>Managing Director</i></p> 	<p>Appointed: 16 November 2004 Chief Executive Officer and Managing Director of the Company Responsible Manager of the Company under the Company's Australian Financial Services Licence (AFSL)</p> <p>Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003. Andrew has around 35 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.</p>

2. OTHER OFFICERS

Name	Experience
<p>Michael Clarke <i>BCom, MMan, CA, ACIS</i> <i>Company Secretary and Finance Manager</i></p> 	<p>Appointed: 30 June 2016</p> <p>Michael joined ALE in October 2006 and was appointed Company Secretary on 30 June 2016. Michael has a Bachelor of Commerce from the University of New South Wales and a Masters of Management from the Macquarie Graduate School of Management. He is an associate member of both the Governance Institute of Australia and t+E55</p> <p>Michael has over 35 years' experience in accounting, taxation and financial management. Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. He has also owned and managed his own accounting practice.</p>

3. INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directorships of listed entities within the last three years

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

Director	Directorships of listed entities	Type	Appointed as Director	Resigned as Director
R W Mactier	WPP AUNZ Limited	Non-executive	December 2006	
R W Mactier	Melco Resorts and Entertainment Limited (Nasdaq listed)	Non-executive	December 2006	January 2017
P G Say	GPT Metro Office Fund	Non-executive	August 2014	September 2016
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive	June 2016	
P J Downes	Windlab Limited	Non-executive	July 2017	
N J Milne	FBR Limited	Non-executive	August 2018	
M P Triguboff	Pyrolyx AG	Non-executive	February 2015	

DIRECTORS' REPORT

For the Year ended 30 June 2019

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

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

Name	Role	Number held at the start of the year	Net movement	Number held at the end of the year
R W Mactier	Non-executive Director	50,000	-	50,000
P J Downes	Non-executive Director	189,110	-	189,110
P G Say	Non-executive Director	25,000	-	25,000
N J Milne	Non-executive Director	20,000	-	20,000
J T McNally	Non-executive Director (Resigned:8 August 2018)	55,164	-	55,164
M P Triguboff	Non-executive Director	-	-	-
A F O Wilkinson	Executive Director	431,469	33,365	464,834
A J Slade	Capital Manager	60,000	15,888	75,888
M J Clarke	Company Secretary and Finance Manager	18,000	6,355	24,355
D J Shipway	Asset Manager	6,500	4,767	11,267

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed / Delivered during the year	Number held at the end of the year
<u>ESSS Rights</u>					
A F O Wilkinson	Executive Director	94,467	29,951	(33,365)	91,053
A J Slade	Capital Manager	47,873	14,095	(15,888)	46,080
M J Clarke	Finance Manager	16,471	2,623	(6,355)	12,739
D J Shipway	Asset Manager	9,779	2,623	(4,767)	7,635

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2019 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board		ACRMC		Nominations Committee and Remuneration Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
R W Mactier	12	12	7	7	4	4
P J Downes	12	12	7	7	4	4
P G Say	12	12	7	7	4	4
N J Milne	12	11	7	7	4	4
J T McNally	4	4	n/a	n/a	n/a	n/a
M P Triguboff	12	9	n/a	n/a	n/a	n/a
A F O Wilkinson	12	12	n/a	n/a	n/a	n/a

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

4. PRINCIPAL ACTIVITIES

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

DIRECTORS REPORT

For the Year ended 30 June 2019

5. OPERATIONAL AND FINANCIAL REVIEW

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 86 pub properties across the five mainland states of Australia. All the properties in the portfolio are leased to Australian Leisure and Hospitality Group (ALH) for an average remaining initial lease term of 9.3 years plus options for ALH to extend.

The Company is responsible for the management activities of the ALE Group and also acts as the responsible entity for the Australian Leisure and Entertainment Property Trust (the "Trust").

	30 June 2019 \$	30 June 2018 \$
Revenue		
Expense reimbursement	4,009,810	4,359,742
Interest income	9,525	9,048
Total revenue	4,019,335	4,368,790
Expenses		
Salaries, fees and related costs	2,302,923	2,728,780
Other expenses	1,498,520	1,354,737
Total expenses	3,801,443	4,083,517
Profit/(loss) before income tax	217,892	285,273
Income tax expense / (benefit)	14,397	10,288
Profit/(loss) attributable to the shareholders of the Company	203,495	274,985
	Cents	Cents
Basic earnings per share	0.10	0.14
Dividend per share for the year	-	-
Net assets per share	7.28	7.28

Significant Changes In The State Of Affairs

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

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

7. DIVIDENDS

No provisions for or payments of Company dividends have been made during the year (2018: nil).

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2019 Woolworths announced that it intends to combine ALH and Endeavour Drinks in late CY19 and then separate the combined entity from Woolworths in CY20. The Company will monitor these developments closely.

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9 REMUNERATION REPORT (Audited)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2019 for employees of ALE including the directors, the Managing Director and key management personnel. This information has been audited as required by section 308(3C) of the Act.

9.1 Remuneration Objectives and Approach

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

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

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

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

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

9.2 Remuneration Committee

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

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

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

The Committee operates independently of management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2019, the Committee consisted of the following:

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

Page 2 of the Annual Report report provides information on the skills, experience and expertise of the Committee members.

The number of meetings held by the Committee and the members' attendance at them is set out on page 5 of the Annual Report.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee did not engage any consultants in respect to remuneration.

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.3 Executive Remuneration

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

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

9.3.1 Fixed Annual Remuneration (FAR)

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

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

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

9.3.2 Executive Incentive Scheme (EIS)

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

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

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

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

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

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

9.3.3 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway
Position	Managing Director	Capital Manager	Finance Manager and Company Secretary	Asset Manager
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$485,418	\$274,135	\$275,400	\$213,100
Notice by ALE	6 months	3 months	3 months	1 month
Notice by Executive	6 months	3 months	3 months	1 month

Managing Director

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.4 Executive Remuneration outcome for year ended 30 June 2019

The amount of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 13 of the Annual Report.

Executive Incentive Scheme Outcomes

In terms of total equity returns and other key financial metrics, ALE continues to perform well when compared to other Australian real estate investment trusts (AREITs) and the wider ASX listed indexes in the medium and long term.

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2019. It was assessed by the Committee that a number of the key performance indicators (KPIs) were met and others were not. In particular the Committee noted:

Property and Strategic Matters

- A very significant workload was taken on by ALE's small management team to successfully complete a large submission package relating to the 2018 rent review, for a greater than expected number of properties;
- While the rent review submissions were successfully completed, the finalisation of the rent review and determination process remained outstanding. Accordingly, the rent review and determination process will be included as part of managements KPIs for FY20;
- A number of acquisition opportunities that accorded with ALE's strategic criteria were evaluated; and
- A number of strategic initiatives were completed during the year while others remain ongoing for completion in FY20.

Capital Matters

- Management continued to explore a range of debt funding and hedging solutions in both the domestic and offshore capital markets with a view to enhancing ALE's readiness to implement a FY20 debt refinancing and additional debt funding of any acquisitions;
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation; and
- ALE continued to deliver both medium and long term total returns for securityholders that outperformed most of the other AREITs in the sector.

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

Executive	Target EIS (as % of FAR)	EIS		EIS Awarded	Cash Component	ESSS Component
		Awarded (as % of FAR)	EIS Awarded as a % of Target			
Andrew Wilkinson	60%	20.6%	34.3%	\$100,000	\$50,000	\$50,000
Andrew Slade	50%	18.2%	36.5%	\$50,000	\$25,000	\$25,000
Michael Clarke	n/a	27.2%	-	\$75,000	\$37,500	\$37,500
Don Shipway	n/a	4.7%	-	\$10,000	\$5,000	\$5,000

DIRECTORS' REPORT

For the Year ended 30 June 2019

Consequences of performance on shareholder wealth

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

A review of ALE's current year performance and history is provided in the Operational and Financial Review on page 6 of the ALE Property Group's Annual Report.

9.5 Disclosures relating to equity instruments granted as compensation

9.5.1 Outstanding equity instruments granted as compensation

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at Grant Date (\$)	Approximate Delivery Date	% vested in year	% forfeited in year
ESSS Rights							
A F O Wilkinson	27,020	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
A F O Wilkinson	34,082	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A F O Wilkinson	29,951	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A J Slade	13,510	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
A J Slade	18,475	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A J Slade	14,095	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
M J Clarke	5,246	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
M J Clarke	4,870	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
M J Clarke	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
D J Shipway	1,968	24 Oct 16	1 Jul 15	3.81	31 Jul 19	Nil	Nil
D J Shipway	3,044	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
D J Shipway	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil

9.5.2 Modification of terms of equity settled share based payment transactions

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

9.5.3 Analysis of movements in ESSS rights

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

Executive	Opening Balance	Granted in Year	Stapled Securities Delivered in the Year	Lapsed in the Year	Closing Balance	Securities Delivered in the year - value paid \$
By Value (\$)						
A F O Wilkinson	347,965	142,770	(105,000)	-	385,735	180,082
A J Slade	177,372	67,190	(50,000)	-	194,562	85,753
M J Clarke	60,000	12,500	(20,000)	-	52,500	34,300
D J Shipway	35,000	12,500	(15,000)	-	32,500	25,729
By Number						
A F O Wilkinson	94,467	29,951	(33,365)	-	91,053	
A J Slade	47,873	14,095	(15,888)	-	46,080	
M J Clarke	16,471	2,623	(6,355)	-	12,739	
D J Shipway	9,779	2,623	(4,767)	-	7,635	

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

A summary of directors, key management personnel and their associates holdings in stapled securities and ESSS interests in ALE is shown on pages 5 of the Annual Report.

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.6 Equity based compensation

The value of ESSS disclosed in section 9.5.3 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined on 15 August 2019.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the Company Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 31 October 2017 was \$750,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were last reviewed in the 2017 financial year. The results of this review are shown in the fees listed below. The Chairman's fees are determined independently from the fees of the other non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive any equity based payments, retirement benefits or other incentive payments.

9.7.2 Remuneration Structure

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

The current remuneration was reviewed in January 2017. This resulted in changes to the fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

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

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

DIRECTORS' REPORT

For the Year ended 30 June 2019

9.8 Details of remuneration

Amount of remuneration

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses were dependent on the satisfaction of performance conditions as set out in the section 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2019 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2018 to 30 June 2019

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2019 are set out in the following table:

Key management personnel	Name	Role	Short term				Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
			Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits	Other long term benefits	Termination benefits	ESSS	Total			
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	-	195,000	-	-
	P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	-	115,000	-	-
	P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	-	120,000	-	-
	N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	-	110,000	-	-
	J T McNally ¹	Non-executive Director	11,008	-	-	11,008	-	-	-	-	-	11,008	-	-
	M P Triguboff	Non-executive Director	95,000	-	-	95,000	-	-	-	-	-	95,000	-	-
	A F O Wilkinson	Executive Director	460,127	50,000	-	510,127	20,531	10,898	-	50,000	-	591,556	16.9%	8.5%
	A J Slade	Capital Manager	145,175	25,000	-	170,175	11,977	1,002	-	25,000	-	208,154	24.0%	12.0%
	M J Clarke	Company Secretary and Finance Manager	252,160	37,500	-	289,660	20,531	5,837	-	37,500	-	353,528	21.2%	10.6%
	D J Shipway	Asset Manager	192,688	5,000	-	197,688	18,322	8,412	-	5,000	-	229,422	4.4%	2.2%
			1,659,720	117,500	-	1,777,220	107,799	26,149	-	117,500	-	2,028,668		

1. James McNally resigned as a director on 8 August 2018

Table 2 Remuneration details 1 July 2017 to 30 June 2018

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2018 are set out in the following table:

Key management personnel	Name	Role	Short term				Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration	
			Salary & Fees	STI Cash Bonus	Non monetary benefits	Total	Superannuation benefits	Other long term benefits	Termination benefits	ESSS	Total			
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	-	195,000	-	-
	P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	-	115,000	-	-
	P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	-	120,000	-	-
	N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	-	110,000	-	-
	J T McNally ²	Non-executive Director	105,000	-	-	105,000	-	-	-	-	-	105,000	-	-
	M P Triguboff ³	Non-executive Director	35,310	-	-	35,310	-	-	-	-	-	35,310	-	-
	A F O Wilkinson	Executive Director	451,177	142,770	-	593,947	20,048	17,277	-	142,770	-	774,042	36.9%	18.4%
	A J Slade	Capital Manager	245,712	67,190	-	312,902	20,048	(675)	-	67,190	-	399,465	33.6%	16.8%
	M J Clarke	Company Secretary and Finance Manager	227,871	12,500	-	240,371	19,341	16,372	-	12,500	-	288,584	8.7%	4.3%
	D J Shipway	Asset Manager	188,908	12,500	-	201,408	17,962	6,115	-	12,500	-	237,985	10.5%	5.3%
			1,757,540	234,960	-	1,992,500	113,837	39,089	-	234,960	-	2,380,386		

2. James McNally resigned as a director on 8 August 2018

3. Michael Triguboff was appointed a director on 15 February 2018

DIRECTORS REPORT

For the Year ended 30 June 2019

10 Stapled securities under option

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

11 Stapled securities issued on the exercise of options

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

12 Insurance of officers

During the financial year, the Company paid a premium of \$166,050 (2017: \$121,846) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

13 Non-audit services

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

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

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

	30 June 2019 \$	30 June 2018 \$
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
- in relation to current year	194,065	159,000
- in relation to prior year	8,000	-
Total remuneration for audit services	202,065	159,000
Other services		
KPMG Australian firm:		
Other services	20,000	-
Total other services	20,000	-
Total remuneration	222,065	159,000

14 Environmental regulation

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

DIRECTORS REPORT

For the Year ended 30 June 2019

15 Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

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



Robert Mactier
Chairman



Andrew Wilkinson
Managing Director

Dated this 7th day of August 2019



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

To the Directors of Australian Leisure and Entertainment Property Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Leisure and Entertainment Property Management Limited for the financial year ended 30 June 2019 there have been:

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

KPMG

KPMG

Eileen Hoggett

Partner

Sydney

7 August 2019

FINANCIAL STATEMENTS

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			2.2	Other expenses
			2.3	Taxation
			2.4	Earnings per share
			2.5	Remuneration of auditors

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			3.2	Receivables
			3.3	Investment in related party
			3.4	Payables
			3.5	Equity

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STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue			
Expense reimbursement	2.1	4,009,810	4,359,742
Net Interest income	2.1	9,525	9,048
Total revenue		4,019,335	4,368,790
Expenses			
Salaries and related costs	2.2	2,302,923	2,728,780
Other expenses	2.2	1,498,520	1,354,737
Total expenses		3,801,443	4,083,517
Profit before income tax		217,892	285,273
Income tax expense	2.3	14,397	10,288
Profit after income tax		203,495	274,985
Profit attributable to shareholders ALE		203,495	274,985
		Cents	Cents
Basic earnings per share	2.4	0.10	0.14
Diluted earnings per share	2.4	0.10	0.14

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

STATEMENT OF FINANCIAL POSITION

For the Year ended 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	3.1	2,458,540	2,397,306
Receivables	3.2	3,115,434	2,932,412
Other		349,761	307,559
Total current assets		5,923,735	5,637,277
Non-current assets			
Plant and equipment		39,456	62,895
Investment in related party	3.3	9,080,010	9,080,010
Deferred tax asset	2.3(b)	94,154	70,924
Total non-current assets		9,213,620	9,213,829
Total assets		15,137,355	14,851,106
Current liabilities			
Payables	3.4	600,609	348,540
Employee benefits	4.1	294,258	255,209
Total current liabilities		894,867	603,749
Total liabilities		894,867	603,749
Net assets		14,242,488	14,247,357
Equity			
Contributed equity	3.5	14,767,075	14,767,075
Reserve		782,797	855,297
Accumulated losses		(1,307,384)	(1,375,015)
Total equity		14,242,488	14,247,357
		\$	\$
Net assets per share		0.07	0.07

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Share Capital \$	Share based payments reserve \$	Accumulated losses \$	Total \$
2019				
Total equity at the beginning of the year	14,767,075	855,297	(1,375,015)	14,247,357
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	203,495	203,495
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	203,495	203,495
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Purchase of securities to satisfy units required for Executive Performance Rights Plan	-	(190,000)	(135,864)	(325,864)
Employee share based payments expense	-	117,500	-	117,500
Total equity at the end of the year	14,767,075	782,797	(1,307,384)	14,242,488
2018				
Total equity at the beginning of the year	14,767,075	892,837	(1,411,316)	14,248,596
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	274,985	274,985
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	274,985	274,985
<i>Transactions with Members of ALE recognised directly in Equity:</i>				
Purchase of securities to satisfy units required for Executive Performance Rights Plan	-	(272,500)	(238,684)	(511,184)
Employee share based payments expense	-	234,960	-	234,960
Total equity at the end of the year	14,767,075	855,297	(1,375,015)	14,247,357

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Management fee received and expense reimbursements	8,445,791	6,594,882
Payments to suppliers and employees	(8,480,536)	(6,607,866)
Interest received - bank deposits and investment arrangements	99,584	21,332
Net cash inflow from operating activities	64,839	8,348
Cash flows from investing activities		
Payments for plant and equipment	(3,605)	(50,861)
Net cash outflow from investing activities	(3,605)	(50,861)
Cash flows from financing activities		
Shares issued	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	61,234	(42,513)
Cash and cash equivalents at the beginning of the year	2,397,306	2,439,819
Cash and cash equivalents at the end of the year	2,458,540	2,397,306

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

	2019 \$	2018 \$
Profit for the year	203,495	274,985
<i>Plus/(less):</i>		
Depreciation	27,044	15,539
Non-cash employee benefits expense - share based payments	117,500	234,960
Share based payment securities purchased	(325,864)	(511,184)
(Increase)/decrease in receivables	34,243	(11,402)
(Increase)/decrease in other assets	(42,202)	(54,450)
(Increase)/decrease in deferred tax asset	(23,230)	(13,797)
(Increase)/decrease in loan from related party	(217,265)	99,847
Increase/(decrease) in provisions	39,049	65,665
Increase/(decrease) in payables	252,069	(91,815)
Net cash inflow from operating activities	64,839	8,348

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 30 June 2019

1. About this report

Reporting Entity

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

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

The Company is the Responsible Entity of the Trust.

Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 7th August 2019.

Basis of preparation

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

Accounting estimates and judgements

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

<u>Accounting estimates and judgements</u>	<u>Note</u>
Income taxes	2.3
Employee benefits	4

Significant accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year ended 30 June 2019

2.

Business performance

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

2.1 Revenue and income

2.2 Other expenses

2.3 Taxation

2.4 Earnings per share

2.5 Remuneration of auditors

2.1 Revenue and income

	2019	2018
	\$	\$
Revenue		
Expense reimbursement	4,009,810	4,359,742
Interest from cash deposits	9,525	9,048
Total revenue	4,019,335	4,368,790

Recognition and measurement

Revenue

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

Expense reimbursement receipts of \$8,445,791 (2018: \$6,594,882) disclosed in the statement of cash flows is comprised predominantly of expenses paid for by the Company on behalf of the Trust and other ALE group entities and subsequently reimbursed from the entities. The legal obligations for these expenses are the responsibility of the individual ALE group entities and are not expenses of the Company.

Interest income

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

As at 30 June 2019 the weighted average interest rate earned on cash was 2.07% (2018: 2.34%)

2.2 Other expenses

	2019	2018
	\$	\$
Annual Report and Review	63,473	98,404
Audit, accounting, tax and professional fees	214,065	196,258
Depreciation expense	27,044	15,539
Insurance	241,284	170,999
Legal fees	125,365	85,654
Occupancy costs	128,669	121,012
Corporate and property expenses	555,128	470,816
Registry fees	99,812	110,628
Staff training	18,359	24,193
Travel and accommodation	25,321	61,234
Total other expenses	1,498,520	1,354,737
Salaries and related costs	2,302,923	2,728,780
Total expenses	3,801,443	4,083,517

Recognition and measurement

Expenses including operating expenses, are brought to account on an accruals basis.

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Business performance

2.3 Taxation

(a) Reconciliation of income tax expense

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

	2019 \$	2018 \$
Profit before income tax expense subject to tax	217,892	285,273
Tax at the Australian tax rate	65,368	85,582
Share based payments	(62,509)	(80,003)
Other	-	-
Under/(over) provision in prior years	11,538	4,709
Income tax expense/(benefit)	14,397	10,288
Current tax expense/(benefit)	37,627	24,085
Deferred tax expense/(benefit)	(23,230)	(13,797)
Income tax expense/(benefit)	14,397	10,288

(b) Deferred tax assets

	2019 \$	2018 \$
Deferred tax assets	94,154	70,924
The balance is attributable to:		
Employee benefits	88,277	76,843
Other	5,877	(5,919)
Tax losses	-	-
Net deferred tax assets	94,154	70,924

Movements:

Opening balance	70,924	57,127
Credited/(charged) to the income statement	23,230	13,797
Credited/(charged) to equity	-	-
Closing balance	94,154	70,924

Deferred tax assets to be recovered within 12 months	88,464	65,234
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Deferred tax assets to be recovered after more than 12 months	5,690	5,690
	94,154	70,924

Recognition and measurement

Current tax

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

Deferred tax

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

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

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

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

Offsetting deferred tax balances

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

2. Business performance

2.4 Earnings per security

Basic earnings per stapled security

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

	2019	2018
Profit/(Loss) attributable to members of the company	203,495	274,985
Weighted average number of share	195,769,080	195,769,080
Basic earnings per share (cents)	0.10	0.14

Diluted earnings per stapled security

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares

	2019	2018
Profit/(Loss) attributable to members of the Company	203,495	274,985
Weighted average number of shares	195,929,320	195,946,060
Diluted earnings per share (cents)	0.10	0.14

2.5 Remuneration of auditors

	2019	2018
	\$	\$
Audit services		
<i>KPMG Australian firm:</i>		
Audit and review of the financial reports		
- in relation to current year	194,065	159,000
- in relation to prior year	8,000	-
Total remuneration for audit services	202,065	159,000
<i>KPMG Australian firm:</i>		
Other services	20,000	-
Total remuneration for all services	222,065	159,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year ended 30 June 2019

3.

Assets, liabilities and equity

This section provides information relating to the operating assets and liabilities of the Group.

3.1 Cash and cash equivalents

3.2 Receivables

3.3 Investment in related party

3.4 Payables

3.5 Equity

3.1 Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank	385,267	324,033
Deposits at call	2,073,273	2,073,273
	2,458,540	2,397,306

Recognition and measurement

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

Cash obligations

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

3.2 Receivables

	2019	2018
	\$	\$
Accounts receivable	45,386	22,073
Loan to related party	3,064,030	2,846,765
Other receivable	608	19,679
Interest receivable	5,410	43,895
	3,115,434	2,932,412

Recognition and measurement

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

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

3.3 Investment in related party

	2019	2018
	\$	\$
Trust Non-Income Voting Units (NIVUS)	9,080,010	9,080,010

The Company was issued 9,080,010 of non-income voting units (NIVUS) in the Trust fully paid at \$1.00 each in November 2003. The NIVUS are not stapled to shares in the Company, have an issue and withdrawal price of \$1.00, carry no rights to income from the Trust and entitle the holder to no more than \$1.00 per NIVUS upon the winding-up of the Trust. The Company has a voting power of 4.43% in the Trust as a result of the issue of NIVUS. The NIVUS are disclosed in the Company but are not disclosed in the ALE Property Group financial statements as they are eliminated on consolidation.

The NIVUS were issued to ensure the Responsible Entity maintained sufficient Net Tangible Assets to satisfy the requirements of the company's AFSL Licence.

3.4 Payables

	2019	2018
	\$	\$
Trade creditors	548,675	160,487
Creditor accruals	51,934	188,053
	600,609	348,540

Recognition and measurement

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

3. Assets, liabilities and equity

3.5 Equity

	2019 \$	2018 \$
Balance at the beginning of the period	14,767,075	14,767,075
No movements	-	-
Closing balance	14,767,075	14,767,075
Movements in the number of fully paid stapled securities during the year	Number of Stapled Securities	Number of Stapled Securities
Stapled securities on issue:		
Opening balance	195,769,080	195,769,080
No movement	-	-
Closing balance	195,769,080	195,769,080

Measurement and recognition

Ordinary shares are classified as contributed equity.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year ended 30 June 2019

4. Employee benefits

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

4.1 Employee benefits

4.2 Key management personnel compensation

4.1 Employee benefits

	2019 \$	2018 \$
Employee benefits provision:		
Current	294,258	255,209

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

4.2 Key management personnel compensation

	2019 \$	2018 \$
Short term employee benefits	1,777,220	1,992,500
Post employment benefits	107,799	113,837
Other long term benefits	26,149	39,089
Share based payments	117,500	234,960
Termination benefits	-	-
	2,028,668	2,380,386

Recognition and measurement

Wages and salaries, annual leave and sick leave

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

Bonus and incentive plans

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

4.3 Employee share plans

Long service leave

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

Retirement benefit obligations

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

4.3 Employee share plans

During 2012, ALE established an Executive Stapled Securities Scheme.

Executive Stapled Security Scheme (ESSS)

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year ended 30 June 2019

5. Other

This section provides details on other required disclosures relating to the Company to comply with the accounting standards and other pronouncements including the Company's capital and financial risk management disclosure.

5.1 Changes to accounting policies

5.2 New accounting standards

5.3 Segment reporting

5.4 Events occurring after balance date

5.5 Contingent liabilities and contingent assets

5.6 Commitments

5.7 Related party transactions

5.8 Financial risk management

5.1 Changes to Accounting Policies

The Company has initially applied AABS 15 and AABS 9 from 1 July 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

AABS 15 Revenue from Contracts with Customers

AABS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under AABS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted AABS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). AABS 15 did not have a significant impact on the Company's accounting policies with respect to any revenue streams.

AASB 9 Financial Instruments

AABS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of AABS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments).

5.2 New accounting standards

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

AABS 16 Leasing

AASB 16 establishes a comprehensive framework the accounting policies and disclosures applicable to leases, both for lessees and lessors. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Company has assessed the potential impact on its financial statements resulting from the application of AASB 16 to be immaterial.

Other standards

Other amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

Notes to the financial statements (continued)

For the Year ended 30 June 2019

5. Other

5.3 Segment reporting

Business segment

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

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

5.4 Events occurring after balance date

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

5.5 Contingent liabilities and contingent assets

Bank guarantee

ALE has entered into a bank guarantee of \$73,273 in respect of the office tenancy at Level 10, 6 O'Connell Street, Sydney.

5.6 Commitments

Capital commitments

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

Lease commitments

The Company has entered into a non-cancellable operating lease for new office premises at Level 10, 6 O'Connell Street, Sydney starting November 2015. The Company has also entered into a non-cancellable operating lease for office equipment. The minimum net lease commitments under these leases are:

	2019 \$	2018 \$
Less than one year	127,180	121,261
Later than one year but not later than five years	43,719	170,899
Later than five years	-	-
	170,899	292,160

5.7 Related party transactions

Parent entity, subsidiaries, joint ventures and

The Company has no parent entity, subsidiaries, joint ventures or associates.

Key management personnel

Key management personnel and their compensation is set out in the Remuneration Report.

Transaction with related parties

For the year ended 30 June 2019 the Company had charged the Trust \$4,009,810 in expense reimbursement (2018: \$4,359,742).

Robert Mactier is a consultant to UBS AG. UBS AG has provided investment banking services to ALE in the past and may continue to do so in the future. Mr Mactier does not take part in any decisions to appoint UBS AG in relation to corporate advice provided by UBS AG to ALE.

Terms and conditions

All related party transactions are conducted on normal commercial terms and conditions. Outstanding balances are unsecured and are repayable in cash and callable on demand.

5.8 Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

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

Notes to the financial statements (continued)

For the Year ended 30 June 2019

5. Other

5.8 Financial risk management (continued)

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

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

Credit risk

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

Trade and other receivables

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

Credit risk on cash is managed through ensuring all cash deposits are held with major domestic banks.

Exposure to credit risk

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

	2019	2018
	\$	\$
Receivables	51,404	85,647
Cash and cash equivalents	2,458,540	2,397,306
	2,509,944	2,482,953

Impairment losses

	2019	2019
	\$	\$
	Gross	Impairment
Not past due	12,645	-
Past due 0-30 days	-	-
Past due 31-120 days	2,190	-
Past due 120-365 days	27,582	-
More than one year	8,987	-
	51,404	-

	2018	2018
	\$	\$
	Gross	Impairment
Not past due	72,895	-
Past due 0-30 days	-	-
Past due 31-120 days	-	-
Past due 120-365 days	12,752	-
More than one year	-	-
	85,647	-

Liquidity risk

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

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

Exposure to liquidity risk

The Company has no contracted financial liabilities and therefore the Company's liquidity risk to external parties is minimal.

Market risk

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

Interest rate risk

The Company has no financial interest bearing obligations and accordingly the Company's interest rate risk is minimal.

DIRECTORS' DECLARATION

For the Year ended 30 June 2019

In the Directors' opinion:

- (a) the financial statements and notes that are set out on pages 18 to 31 and the remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that ALE will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and the Finance Manager/Company Secretary as required for the financial year ended 30 June 2019.
- (d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Robert Mactier
Chairman



Andrew Wilkinson
Managing Director

Dated this 7th Day of August 2019



Independent Auditor's Report

To the members of Australian Leisure and Entertainment Property Management Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Australian Leisure and Entertainment Property Management Limited (the Company).

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

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position* as at 30 June 2019;
- *Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

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

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

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Australian Leisure and Entertainment Property Management Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.



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

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

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

Responsibilities of the Directors for the Financial Report

The Directors of Australian Leisure and Entertainment Property Management Limited are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Australian Leisure and Entertainment Property Management Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in section 9 of the Directors' report for the year ended 30 June 2019.

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

KPMG

Eileen Hoggett

Partner

Sydney

7 August 2019

INVESTOR INFORMATION

For the Year ended 30 June 2019

Securityholders

The securityholder information as set out below was applicable as at 24 July 2019.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of Holders	Number of Securities	% of Issued Capital
1 - 1,000	770	255,725	0.13
1,001 - 5,000	1,378	4,187,705	2.14
5,001 - 10,000	959	7,319,365	3.74
10,001 - 100,000	1,491	38,746,471	19.79
100,001+	105	145,259,814	74.20
Total	4,703	195,769,080	100.01

The stapled securities are listed on the ASX and each stapled security comprises one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The number of securityholders holding less than a marketable parcel of stapled securities is 325.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	Citicorp Nominees Pty Limited	25,609,598	13.08
2	UBS Nominees Pty Ltd	21,682,072	11.08
3	Woolworths Group Limited	17,076,936	8.72
4	HSBC Custody Nominees (Australia) Limited	14,630,161	7.47
5	Brispot Nominees Pty Ltd [House Head Nominee A/C]	8,968,676	4.58
6	Manderrah Pty Ltd [GJJ Family A/C]	6,600,000	3.37
7	National Nominees Limited	5,157,450	2.63
8	HSBC Custody Nominees (Australia) Limited - A/C 2	4,953,648	2.53
9	HSBC Custody Nominees (Australia) Limited-GSI EDA	4,252,288	2.17
10	J P Morgan Nominees Australia Pty Limited	3,983,018	2.03
11	HSBC Custody Nominees (Australia) Limited-GSCO ECA	3,315,192	1.69
12	CS Third Nominees Pty Limited [Hsbc Cust Nom Au Ltd 13 A/C]	2,331,806	1.19
13	Buttonwood Nominees Pty Ltd	1,500,000	0.77
14	Netwealth Investments Limited [Wrap Services A/C]	1,398,240	0.71
15	Mr Alastair Charles Griffin	1,397,876	0.71
16	Mr Edward Furnival Griffin	1,397,875	0.71
17	Mr David Calogero Loggia	976,323	0.50
18	Mr David Stewart Field	812,000	0.41
19	Bnp Paribas Noms Pty Ltd [DRP]	756,576	0.39
20	BT Portfolio Services Limited [Caergwrle Invest P/L A/C]	745,787	0.38
Totals: Top 20 Holders of Stapled Securities		127,545,522	65.15
Totals: Remaining Holders Balance		68,223,558	34.85

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 24 July 2019) are set out below:

Stapled Security Name	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	67,584,734	34.52
Woolworths Limited	17,076,936	8.72
UBS Group AG	10,241,320	5.23

INVESTOR INFORMATION

For the Year ended 30 June 2019

D. VOTING RIGHTS

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

(a) Stapled securities

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

(b) NIVUS

Each NIVUS entitles the Company to one vote at a meeting of the Trust. 9,080,010 NIVUS have been issued by the Trust to the Company and 195,769,080 units have been issued by the Trust to stapled securityholders. The NIVUS therefore represent 4.43% of the voting rights of the Trust.

E. ASX ANNOUNCEMENTS

The information is provided as a short summary of investor information.

Please view our website at www.alegroup.com.au for all investor information.

2019	
07 Aug	Full Year Results, Annual Review / Report and Property Compendium released
12 Jul	Property valuations increased by 2.4%
03 Jul	Announcement by Wollworths Relating to ALH
18 Jun	Half Year distribution of 10.45 cents declared
18 Jun	Full Year distribution of 20.90 cents announced
05 Mar	1st half distribution payment
21 Feb	Taxation Components of Distribution
13 Feb	Half Year results released
13 Feb	Property valuations as at 31 December 2018

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

29 Oct	Annual General Meeting
05 Sep	2nd half distribution payment

2018	
18 Dec	Half Year distribution of 10.45 cents declared
13 Dec	Caledonia increases substantial holding to 34.52%
13 Nov	Annual General Meeting
02 Nov	Allen Gray ceases to be a substantial shareholder
05 Sep	2nd half distribution payment
03 Sep	Caledonia increases substantial holding to 34.41%
03 Sep	2018 Market Rent Review Update
03 Sep	Taxation Components of Distribution
08 Aug	James McNally retires as a Director
08 Aug	Full Year Results, Annual Review / Report and Property Compendium released
08 Aug	Corporate Governance Statement 2018
05 Jul	James McNally announces retirement as a Director
05 Jul	Caledonia increases substantial holding to 33.69%
07 Jun	Property valuations increased by 5.1%
06 Jun	Half Year distribution of 10.45 cents declared
06 Jun	Full Year distribution of 20.80 cents announced
05 Mar	1st half distribution payment
16 Feb	Michael Triguboff appointed a Director
16 Feb	Taxation Components of Distribution
14 Feb	Half Year results released
12 Feb	Caledonia increases substantial holding to 32.41%
12 Feb	Allen Gray reduces substantial holding to 5.59%

INVESTOR INFORMATION

For the Year ended 30 June 2019

Stock Exchange Listing

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

Distribution Reinvestment Plan

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

Distributions

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

Electronic Payment of Distributions

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

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

Annual Tax Statement

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

Publications

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

Website

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

SecurityHolder Enquiries

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

Registered Office

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

Company Secretary

Mr Michael Clarke
Level 10, 6 O'Connell Street
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