ALE Property Group
ASX Appendix 4E – Full Year Report
For the year ended 30 June 2016

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

Detail of reporting period

Current:	1 July 2015 to 30 June 2016

Results for announcement to the market

	2016 $'000	2015 $'000	Variance
Rental Income	56,172	55,214	1.7%
Interest Income	1,054	1,779	(40.8%)
Total revenue	**57,226**	**56,993**	**0.4%**
Other income	**89,687**	**78,843**	**13.8%**
Profit before income tax attributable to stapled security holders, before net gain from fair value adjustments of investment properties and derivatives (interest rate swaps), amortisation of borrowing costs and other non cash expenses (refer to note 4.6 of the attached Financial Statements – "Distributable Profit")	**29,574**	**29,055**	**1.8%**
Statutory Profit/(Loss) after tax attributable to members	**91,178**	**99,364**	**(8.2%)**
	$	**$**	
Net assets per security (including derivatives)	**2.53**	**2.27**	**11.8%**

- Total revenue was up by 0.4%. Rent received from properties was up 1.7%. Interest income decreased due to lower funds on deposit and lower interest rates.
- Other income increased by $10.844 million due to increases in fair value increments to properties in the current year.
- Distributable profit (adjusted for non-cash items) increased during the year primarily as a result of rent increases and the full year impact of interest expense savings achieved from the 2014 refinancing; and.
- Profit/(loss) after tax attributable to members was down $8.186 million mainly due to the impact of higher fair value decrements to derivatives.

The attached Financial Statements contain further explanations of the results.

Distributions	**Amount per stapled security**	**Franked amount per stapled security**
Final distribution	10.10 cents	0.0 cents
Interim distribution	9.90 cents	0.0 cents
Total distribution	**20.00 cents**	**0.0 cents**

The total amount per stapled security is comprised of 20.00 cents of Trust distributions and no company dividend. The final distribution of 10.10 cents will be paid to stapled securityholders on 5 September 2016.
The full year distribution of 20.00 cents will be 100% tax deferred.

Record date for determining entitlements to the distribution	5pm, 30 June 2016

This report is based on accounts which have been audited.

ANNUAL REPORT 2016

QUALITY

INCOME | GROWTH | OPPORTUNITIES

ALE PROPERTY GROUP

QUALITY

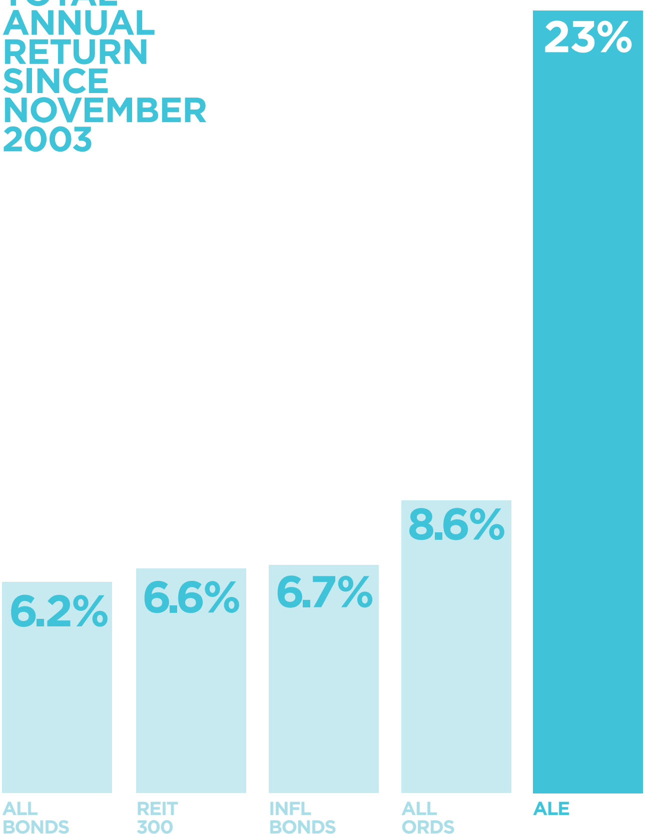
INCOME | GROWTH | OPPORTUNITIES

ALE delivered a superior performance during the 2016 financial year. The group's achievements included increasing property valuations and an enhanced capital position. These achievements saw ALE increase distributions, reduce gearing and deliver returns to securityholders that again outperformed the AREIT index by a material margin.

Peter Warne
Chairman

Andrew Wilkinson
Managing Director

TOTAL ANNUAL RETURN SINCE NOVEMBER 2003



Source: ASX, Bloomberg, IRESS, ALE

DISTRIBUTION ↑19%
20cps

PROPERTY VALUES ↑10%
$990m

AVE LEASE TERM ↓1 YR
12yrs

NET GEARING ↓3%
45%

ALL UP DEBT INTEREST RATE
4.35%

AVE DEBT TERM ↓1 YR
4yrs

AVE HEDGING TERM ↑2 YRS
9yrs

Note: Amounts are rounded. Please see other results materials for more details.

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities

Report For the Year ended 30 June 2016

ABN 92 648 441 429

ANNUAL REPORT

2016

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) for an average remaining initial lease term of 12.3 years plus options for ALH to extend.

WWW.ALEGROUP.COM.AU

Contents

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 2016.

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 H Warne, *B.A, FAICD*
Independent Non Executive Director
Chairman of the Board

Appointed: 8 September 2003
Member of the Audit, Compliance and Risk Management Committee (ACRMC)
Member of the Nominations Committee
Member of the Remuneration Committee

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

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

Ms Phillipa Downes, *BSc (Bus Ad), MAppFin, GAICD*
Independent Non Executive Director

Appointed: 26 November 2013
Chair of the ACRMC
Member of the Nominations Committee
Member of the Remuneration Committee

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

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

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

Name	Experience, responsibilities and other directorships

H I Wright, *LL.B, MAICD*
Independent Non Executive Director

Appointed: 8 September 2003
Resigned: 27 October 2015
Member of the ACRMC
Member of the Nominations Committee
Member of the Remuneration Committee

Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in legislative interpretation, contract, and real estate projects including development and financing and related taxation and stamp duties.

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

Ms Nancy Milne, *OAM, LLB, FAICD*
Independent Non Executive Director

Appointed: 6 February 2015
Member of the ACRMC
Member of the Nominations Committee
Member of the Remuneration Committee

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, deputy chairman of the State Insurance Regulatory Authority and a director of Pillar Administration. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, State Plus and Novion Property Group (now Vicinity Centres).

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

Mr Paul Say, *FRICS, FAPI*
Independent Non Executive Director

Appointed: 24 September 2014
Member of the ACRMC
Chair of the Nominations Committee
Chair of the Remuneration Committee

Paul has over 30 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 GPT Metro Office Fund and Frasers Logistic & Industrial Trust (SGX listed).

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).

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

Appointed: 26 June 2003
Responsible Manager of the Company under the Company's AFSL

James is 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.

Name	Experience, responsibilities and other directorships
Mr Andrew Wilkinson *B.Bus, CFTP, MAICD* *Managing Director* 	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) 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.

2. OTHER OFFICERS

Name	Experience
Mr Michael Clarke *BCom, MMan, CA, ACIS* *Company Secretary and Finance Manager* 	Appointed: 30 June 2016 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. Michael has over 30 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.
Mr David Lawler *B.Bus, CPA* *Independent member of ACRMC* 	Appointed: 9 December 2005 David was appointed to ALE's ACRMC on 9 December 2005 and has over 25 years' experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia. David is, the Chairman of the Australian Trade and Investment Commission Audit and Risk Committee, and the National Mental Health Commission Audit Committee, and is an audit committee member of the Australian Office of Financial Management, the Department of Foreign Affairs and Trade, the Australian Sports Anti-Doping Authority, and the Australian Maritime Safety Authority. David is Chairman of Australian Settlements Limited. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and a past President of the Institute of Internal Auditors – Australia.

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
P H Warne	ASX Limited	Non-executive	July 2006	
P H Warne	Crowe Horwath Australasia Limited	Non-executive	May 2007	Jan 2015
P H Warne	OzForex Group Limited	Chairman	October 2013	
P H Warne	Macquarie Group Limited	Chairman	July 2007	
P G Say	GPT Metro Office Fund	Non-executive	August 2014	
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive	June 2016	

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
P H Warne	Non-executive Director	1,185,000	-	1,185,000
P J Downes	Non-executive Director	213,904	-	213,904
P G Say	Non-executive Director	-	25,000	25,000
N J Milne	Non-executive Director	20,000	-	20,000
A F O Wilkinson	Executive Director	244,723	73,136	317,859
J T McNally	Executive Director	55,164	-	55,164
A J Slade	Capital Manager	50,000	23,611	73,611
M J Clarke	Company Secretary and Finance Manager	15,000	2,500	17,500
D J Shipway	Asset Manager	4,000	-	4,000

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
ESSS Rights					
A F O Wilkinson	Executive Director	141,746	33,365	(43,136)	131,975
A J Slade	Capital Manager	74,078	15,888	(23,611)	66,355
M J Clarke	Finance Manager	16,669	6,355	-	23,024
D J Shipway	Asset Manager	12,747	4,767	-	17,514

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 2016 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
P H Warne	14	13	6	6	5	5
H I Wright	8	8	3	3	2	2
P J Downes	14	13	6	6	5	5
P G Say	14	11	6	6	5	5
N J Milne	14	14	6	5	5	5
A F O Wilkinson	14	14	n/a	n/a	n/a	n/a
J T McNally	14	14	n/a	n/a	n/a	n/a
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	6	6	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.

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 (ALH) for an average remaining initial lease term of 12.3 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 and four options of 10 years for ALH to extend;
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland (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;
- There is a market rent review in November 2018 that is capped and collared within 10% of the 2017 rent; and
- There is a full open market rent review (no cap and collar) in November 2028 at which time ALH has four options of 10 years to extend the leases.

In October 2015 ALE announced that it had received an unsolicited, indicative, incomplete and non-binding Proposal from its largest securityholder, Caledonia (Private) Investments Pty Ltd, to acquire up to 100% of ALE's stapled securities at a price of $3.95 per security. ALE advised Caledonia that it did not consider the Proposal was in the best interests of all securityholders and that it would not progress the Proposal. Caledonia withdrew its Proposal in November 2015 and discussions with ALE's Board in relation to the Proposal ceased.

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 10.0% to $990.5 million; and
- Net Assets increased by 11.8% to $495.9 million and net borrowings (total borrowings less cash) as a percentage of assets (total assets less cash, derivatives and deferred tax assets) decreased from 48.0% to 44.9%.

Current year performance
ALE produced a profit after tax of $91.2 million for the year ended 30 June 2016 compared to a profit of $99.4 million for the year ended 30 June 2015. The decrease is primarily due to:

- Fair value adjustments to investment properties increased from $78.8 million in 2015 to $89.6 million in the current year due to rental growth and continued reductions in capitalisation rates;
- Fair value adjustments to derivatives liabilities increased from $5.2 million in 2015 to $25.2 million in the current year as long term interest rates continued to decline;
- Rental income increased by 1.7% due to the full year impact of the November 2014 rent review of 2.2% and the part year impact of the November 2015 rent review of 1.5%;
- Interest income was lower on the back of decreasing interest rates and lower cash balances;
- Finance costs were lower due to the full year impact of interest expense savings achieved from the refinancing in June 2014 and the repayment of ALE Notes 2 in the August 2014; and
- Management costs increased during the year due to costs associated with the response to the Caledonia proposal in October 2015 however ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

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

During the financial year ALE produced a distributable profit of $29.6 million compared to $29.1 million in the previous financial year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was primarily impacted by the same cash items that affected Operating Profit, namely increased rent and reduced finance costs.

	30 June 2016 $'000	30 June 2015 $'000
Profit / (loss) after income tax for the year	**91,178**	99,364
Adjustment for non-cash items		
Fair value decrements /(increments) to derivatives and investment properties	(64,434)	(73,543)
Employee share based payments	182	190
Finance costs - non-cash	2,613	3,087
Income tax expense	35	(43)
Total adjustments for non-cash items	**(61,604)**	(70,309)
Total profit available for distribution	**29,574**	29,055
Distribution paid or provided for	39,154	32,976
Available and under / (over) distributed for the year	**(9,580)**	(3,921)
Distribution funded as follows		
Current year distributable profits	29,574	32,976
Prior year undistributed profits	6,523	3,921
Capital and surplus cash	3,057	-
	39,154	**32,976**

	Percentage Increase / (Decrease)	30 June 2016 Cents	30 June 2015 Cents
Earnings and distribution per stapled security:			
Basic and diluted earnings	(8.25%)	46.58	50.77
Earnings available for distribution	1.75%	15.11	14.85
Total distribution	18.69%	20.00	16.85
Current year distributable profits		15.11	14.85
Prior year undistributed profits		3.33	2.00
Capital and surplus cash		1.56	-
		20.00	16.85

Financial position

ALE's net assets increased by 11.8%, compared with the previous year which was largely attributable to an increase in property values during the year.

Investment property revaluations increased the value by 10.0% from $900.5 million to $990.5 million during the year. The increase in property valuations was attributable to the November 2015 CPI rent increase and average capitalisation rates decreasing from around 6.0% to 5.5% across the portfolio. When assessing statutory valuations the 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 can provide 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 EBITDAR and also adopted industry standard market rental ratios. The valuers also used a range of assumptions they deemed appropriate for each of the individual properties. Based upon their assessments and assumptions the valuers' DCF valuations represented a weighted average capitalisation rate of around 4.8% for the 31 properties valued. This compares to the rate of around 5.5% which was derived using a combination of the DCF and capitalisation rate methods.

Net assets per stapled security increased by 11.8% from $2.27 to $2.53 compared to June 2015, primarily as a result of the increase in property values.

ALE's market capitalisation this year increased by around 23% to more than $891 million at 30 June 2016.

During the year, net covenant gearing reduced from 48.0% to 44.9%. ALE continues to maintain appropriate headroom to all debt covenants with the nearest equivalent to an average 25.7% fall in property values.

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 $110 million will occur in August 2017. ALE is already prepared for this refinancing with a range of options available to it. Key debt market participants have continued to provide ALE with positive encouragement to issue in both the domestic and offshore capital markets. Activities during the year included a number of presentations to capital market participants throughout Australia, Asia and New Zealand. Meetings were also held with major US Private Placement debt investors in January this year.

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

- debt structure with two types of fixed rate bonds;
- maturity dates that are diversified over the next seven years;
- 100% of net debt hedged for around nine years;
- all up cash interest rate of 4.35% p.a. fixed until refinancing in August 2017; and
- lower gearing of 44.9% (2015: 48.0%) that remains below the target range of 50% to 55%.

ALE has consistently sought to mitigate interest rate volatility and continues to have long term hedging in place to achieve this objective. During the year ALE extended its hedging arrangements to cover forecast debt levels to November 2025.

Historical performance

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

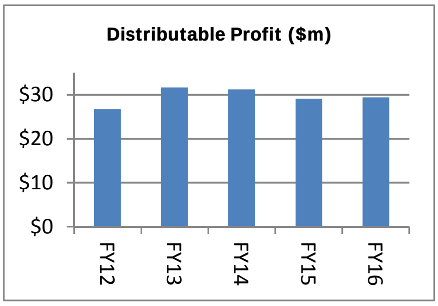
	FY12	**FY13**	**FY14**	**FY15**	**FY16**
Distributable profit ($m)	26.7	31.7	31.2	29.1	29.6
Distribution per Security (cents)	16.00	16.00	16.45	16.85	20.00
Continuing property values ($m)[2]	767.2	781.5	821.6	900.5	990.5
Net gearing [1]	51.9%	50.8%	51.7%	47.9%	44.9%

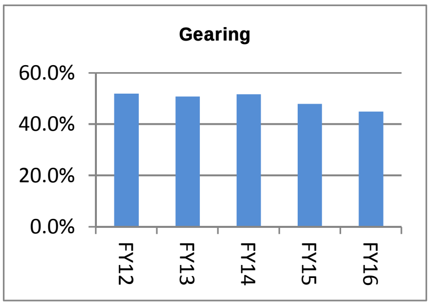
1. Total borrowings less cash as a percentage of total assets less cash and derivatives

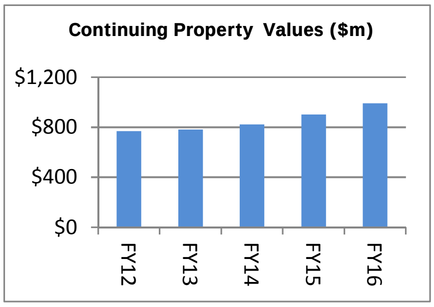
2. Includes only the value of properties held as at 30 June 2016

The accumulated value of $1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and current market value of securities as at 30 June 2016 totalled $13.70.

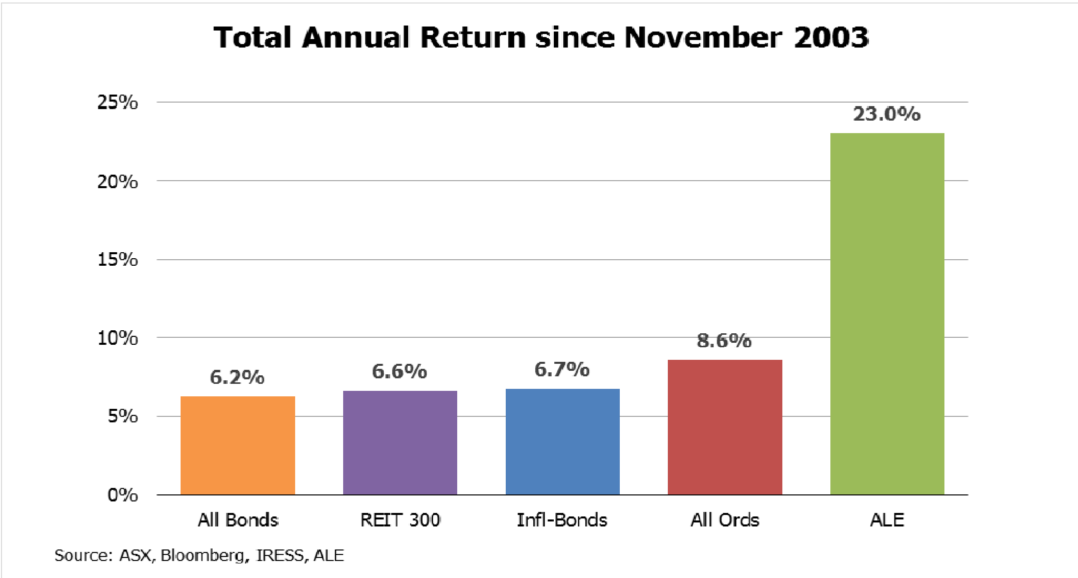
According to investment bank UBS, for the period ending 30 June 2016, ALE continued to outperform other equity return benchmarks including the AREIT 300 index and the All Ordinaries index for periods including one, three, five and ten years. For the one year period ALE's return of 29.5% outperformed the AREIT 300 index of 24.6% and All Ordinaries index of 2.0%.







The following chart shows the total annual return of an ALE security since listing in November 2003.



1.Includes ALE's equity market price of $4.55 as at 30 June 2016 and reinvestment of distributions and 2009 renunciation payment
2.All Ordinaries Accumulation Index
3.BAICO Index - Australian credit inflation-linked securities
4.UBS S&P REIT 300 Index
5.BAMSTO Index- composite of the Composite Bond, Inflation and Credit FRN indices

Business strategies and future prospects

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

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

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

ALE's objective is to continue to grow distributions at least in line with increases in the CPI.

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 as well as 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 reduced NTA and could also reduce headroom on debt covenants. At 30 June 2016 the closest debt covenant would be triggered by a decline of around 26% in property values and a resultant average capitalisation rate of 7.40%. By way of comparison it should be noted that in the last 10 years the highest average capitalisation rate of ALE properties has been 6.60%. ALE therefore considers its exposure to property valuation risk is appropriate.

Interest rate risk - ALE currently has $479 million of outstanding 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 hedging arrangements effectively hedge ALE's debt to November 2025 at average base rates of between 3.26% and 3.54%.

Refinancing risk - ALE currently has outstanding borrowings representing a gearing level of 44.9% and has a medium term policy of maintaining gearing within a range of 50% to 55%. 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. 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 properties are leased to a single tenant, ALH which is owned by Woolworths Limited (75%) and the Mathieson family (25%). In 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.

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 2016 cents per security	30 June 2015 cents per security	30 June 2016 $'000	30 June 2015 $'000
Final Trust income distribution for the year ending 30 June 2016 to be paid on 5 September 2016	**10.10**	8.45	**19,773**	16,537
Interim Trust income distribution for the year ending 30 June 2016 paid on 7 March 2016	**9.90**	8.40	**19,381**	16,439
Total distribution for the year ending 30 June 2016	**20.00**	16.85	**39,154**	32,976

No provisions for or payments of Company dividends have been made during the year (2015: nil).

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

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

9 REMUNERATION REPORT (Audited)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2016 for employees of ALE including the directors, the Managing Director and key management personnel.

9.1 Remuneration Objectives and Approach

In determining a remuneration framework, the Board aims to ensure the following:
- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- 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 (KPI's); and
- market competitive and complementary to the reward strategy of the organisation.

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

9.2 Remunerations 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 2016, the Committee consisted of the following:

P G Say	Non-executive Director	Chairman of Remuneration Committee
P H Warne	Non-executive Director	
H I Wright	Non-executive Director	(Resigned 27 October 2015)
P J Downes	Non-executive Director	
N J Milne	Non-executive Director	

Page 2 of this 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.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Godfrey Remuneration Group to advise on remuneration.

Godfrey Remuneration Group was paid $16,000 for its services.

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.

How are EIS awards delivered?	EIS cash payments are made in August each year following the signing of ALE's full year statutory financial statements. The deferred component comprises an award of stapled securities under the ESSS. Any securities awarded under the ESSS are delivered three years after the award date provided certain conditions have been met.
How is the ESSS award calculated?	The number of ESSS Rights awarded annually under the ESSS will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE's full year statutory financial statements, and grossing this number up for the future value of the estimated distributions over the three year deferred delivery period.
What conditions are required to be met for the delivery of an ESSS award?	During the three year deferred delivery period, the delivery of the Stapled Securities issued under the ESSS remains subject to the following clawback tests. ESSS rights will be forfeited in whole or in part at the discretion of the Remuneration Committee if before the end of the deferred delivery period: • the Committee becomes aware of any executive performance matter which, had it been aware of the the matter at the time of the original award, would have in their reasonable opinion resulted in a lower original award; or • the executive engages in any conduct or commits any act which, in the Committee's reasonable opinion, adversely affects ALE Property Group including, and without limitation, any act which: ▪ results in ALE having to make any material negative financial restatements; ▪ causes ALE to incur a material financial loss; or ▪ causes any significant financial or reputational harm to ALE and/or its businesses.

9.3.3 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Margaret Sullivan
Position	Managing Director	Capital Manager	Finance Manager and Company Secretary	Asset Manager	Executive Director	Compliance Officer
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$457,400	$258,320	$211,000	$200,800	$100,000	$50,000
Notice by ALE	6 months	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

Managing Director

On 30 July 2014 Mr Wilkinson signed a new service agreement that commenced on 1 September 2014. The agreement stipulates the 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.

9.4 Executive Remuneration outcome for year ended 30 June 2016

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

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

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2016.

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

Capital Matters

- ALE executed a hedge that extended the term of the hedging on 100% of ALE’s net debt to November 2025;
- ALE’s investment grade credit rating of Baa2 (with stable outlook) was fully maintained;
- Management continued to explore a range of debt funding solutions in both the domestic and offshore capital markets with a view to positioning ALE for future debt refinancings and readiness to implement additional debt funding of any acquisitions; and
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation.

Other matters

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

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

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

Executive	Target EIS (as % of FAR)	EIS Awarded (as % of FAR)	EIS Awarded as a % of Target	EIS Awarded	Cash Component	ESSS Component
Andrew Wilkinson	60%	45.0%	75.1%	$206,000	$103,000	$103,000
Andrew Slade	50%	39.9%	79.7%	$103,000	$51,500	$51,500
Michael Clarke	n/a	19.0%	-	$40,000	$20,000	$20,000
Don Shipway	n/a	7.5%	-	$15,000	$7,500	$7,500

A review of ALE's current year performance and history is provided in the Operational and Financial Review on page 6 of the Directors 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	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A F O Wilkinson	63,732	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A F O Wilkinson	33,365	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A J Slade	31,375	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A J Slade	15,888	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
M J Clarke	7,844	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
M J Clarke	6,355	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
D J Shipway	3,922	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
D J Shipway	4,767	20 Aug 15	1 Jul 14	3.15	31 Jul 18	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	312,790	105,000	(71,250)	-	346,540	159,603
A J Slade	162,264	50,000	(39,000)	-	173,264	87,361
M J Clarke	40,000	20,000		-	60,000	-
D J Shipway	30,000	15,000		-	45,000	-
By Number						
A F O Wilkinson	141,746	33,365	(43,136)	-	131,975	
A J Slade	74,078	15,888	(23,611)	-	66,355	
M J Clarke	16,669	6,355		-	23,024	
D J Shipway	12,747	4,767		-	17,514	

9.6 Equity based compensation

The value of ESSS disclosed in section 9.5.3 and 9.9 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 11 August 2016.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

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

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

9.7.2 Remuneration Structure

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

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

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

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

9.8 Response to Vote Against the 2015 Remuneration Report

At the Annual General Meeting of the Company (AGM) held on 27 October 2015 a resolution was put to the vote that the Remuneration Report for the last financial year ending 30 June 2015. More than 25% of the votes cast were against adoption of the Report. The resolution failed to pass because ALE's major securityholder, Caledonia Private Investments, who owned 25.39% and other securityholders that owned 0.61% of securities voted against the resolution.

No negative comments were made at the AGM in respect of the Remuneration Report by representatives of Caledonia who were present. Subsequent to the AGM members of the Remuneration and Nominations Committee of the company held discussions with Caledonia to gain an understanding of concerns that may have lead to the rejection of the Remuneration Report resolution. No concerns were given to the Board in relation to the Remuneration Report. In addtion no other securityholder has expressed concerns in relation to the Remuneration Report.

On the following basis the Board has made no material adjustments to remuneration arrangements:

1. At no time in the last three years has the Committee received any negative comments concerning ALE's Remuneration Report;
2. At no time in the last three years have the levels of Executive and Board Remuneration been varied materially;
3. ALE's Remuneration Reports in 2012, 2013 and 2014 were all adopted with votes for the Report above 97%;
4. The Remuneration and Nominations Committee consistently engages external consultants to advise on remuneration matters and awarded remuneration is within the peer groups used for comparison; and
5. The Board has been advised of no other concerns with respect to ALE's Remuneration Report.

The Board will continue make itself available to securityholders concerning remuneration matters and will consider any concerns raised.

9.9 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 2016 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 2015 to 30 June 2016

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2016 are set out in the following table:

Key management personnel		Short term				Post employment benefits			Equity based payment		S300A(1)(e)(i) proportion of remuneration performance based	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Superannuation benefits $	Other long term benefits $	Termination benefits $	ESSS $	Total $	$	$
P H Warne	Non-executive Director	159,817	-	-	159,817	15,183	-	-	-	175,000	-	-
H I Wright[1]	Non-executive Director	31,963	-	-	31,963	3,037	-	-	-	35,000	-	-
P J Downes	Non-executive Director	96,184	-	-	96,184	9,137	-	-	-	105,321	-	-
P G Say	Non-executive Director	108,750	-	-	108,750	-	-	-	-	108,750		
N J Milne	Non-executive Director	91,324	-	-	91,324	8,676	-	-	-	100,000		
B R Howell[2]	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	411,512	103,000	-	514,512	35,000	7,310	-	103,000	659,822	31.2%	15.6%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	222,160	51,500	-	273,660	30,000	3,980	-	51,500	359,140	28.7%	14.3%
M J Clarke[2]	Company Secretary and Finance Manager	188,465	20,000	-	208,465	17,485	3,088	-	20,000	249,038	16.1%	8.0%
D J Shipway	Asset Manager	178,967	7,500	-	186,467	17,040	3,060	-	7,500	214,067	7.0%	3.5%
		1,679,142	182,000	-	1,861,142	135,558	17,438	-	182,000	2,196,138		

1. Helen Wright resigned as a director on 27 October 2015
2. Brendan Howell resigned as Company Secretary on 30 June 2016 and Michael Clarke was appointed Company Secretary on 30 June 2016

Table 2 Remuneration details 1 July 2014 to 30 June 2015

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

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

3. John Henderson resigned as a director on 6 November 2014

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.

Peter H Warne
Chairman

Andrew Wilkinson
Managing Director

Dated this 4th day of August 2016

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Teer
Partner

Sydney
4 August 2016

FINANCIAL STATEMENTS

Notes to the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue			
Rent from investment properties	4.1	56,172	55,214
Interest from cash deposits	4.1	1,054	1,779
Total revenue		**57,226**	56,993
Other income			
Fair value increments to investment properties	2	89,644	78,790
Other income		43	53
Total other income		**89,687**	78,843
Total revenue and other income		**146,913**	135,836
Expenses			
Fair value decrements to derivatives - net		25,210	5,247
Finance costs (cash and non-cash)	4.3	23,280	24,507
Queensland land tax expense		2,141	2,093
Salaries and related costs		2,509	2,538
Other expenses	4.2	2,560	2,130
Total expenses		**55,700**	36,515
Profit before income tax		**91,213**	99,321
Income tax expense/(benefit)	4.4	35	(43)
Profit after income tax		**91,178**	99,364
Profit/(Loss) attributable to stapled securityholders of ALE		**91,178**	99,364

	2016 Cents	2015 Cents
Basic and diluted earnings per stapled security	46.58	50.77

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 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	3.5	37,919	44,812
Receivables		278	315
Other		218	250
Total current assets		**38,415**	45,377
Non-current assets			
Investment properties	2	990,480	900,470
Plant and equipment		36	18
Deferred tax asset		288	315
Total non-current assets		**990,804**	900,803
Total assets		**1,029,219**	946,180
Current liabilities			
Payables		7,457	7,706
Employee benefits	5.1	169	145
Distribution payable		19,773	16,537
Total current liabilities		**27,399**	24,388
Non-current liabilities			
Borrowings	3.1	479,528	476,915
Derivatives		26,349	1,140
Total non-current liabilities		**505,877**	478,055
Total liabilities		**533,276**	502,443
Net assets		**495,943**	443,737
Equity			
Contributed equity	3.3	258,118	257,870
Reserve		807	735
Retained profits		237,018	185,132
Total equity		**495,943**	443,737
		$	$
Net assets per stapled security		**$2.53**	$2.27

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 2016

	Note	Share Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total $'000
2016					
Total equity at the beginning of the year		**257,870**	**735**	**185,132**	**443,737**
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	91,178	91,178
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	91,178	91,178
Transactions with Members of ALE recognised directly in Equity:					
Employee share based payments		-	182	-	182
Securities issued - Employee share based payments		248	(110)	(138)	-
Distribution paid or payable		-	-	(39,154)	(39,154)
Total equity at the end of the year		**258,118**	**807**	**237,018**	**495,943**
2015					
Total equity at the beginning of the year		257,870	604	118,815	377,289
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	99,364	99,364
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	99,364	99,364
Transactions with Members of ALE recognised directly in Equity:					
Employee share based payments		-	190	-	190
Employee share based payments - securities purchased		-	(59)	(71)	(130)
Distribution paid or payable		-	-	(32,976)	(32,976)
Total equity at the end of the year		257,870	735	185,132	443,737

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from tenant and others		61,905	60,820
Payments to suppliers and employees		(12,847)	(11,778)
Interest received - bank deposits		1,031	1,946
Net interest received - interest rate hedges		385	587
Borrowing costs paid		(21,049)	(22,735)
Net cash inflow from operating activities		**29,425**	**28,840**
Cash flows from investing activities			
Net proceeds from disposal of properties		-	1,200
Payments for investment property		(366)	-
Payments for plant and equipment		(34)	-
Net cash inflow from investing activities		**(400)**	**1,200**
Cash flows from financing activities			
Capitalised borrowing costs paid		-	(10)
Borrowings repaid			
ALE Notes 2		-	(102,597)
Distributions paid (net of DRP securities issued)		(35,918)	(32,584)
Net cash inflow / (outflow) from financing activities		**(35,918)**	**(135,191)**
Net increase / (decrease) in cash and cash equivalents		**(6,893)**	**(105,151)**
Cash and cash equivalents at the beginning of the year		44,812	149,963
Cash and cash equivalents at the end of the year		**37,919**	**44,812**

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

	2016 $'000	2015 $'000
Profit for the year	91,178	99,364
Plus/(less):		
Fair value increments to investment property	(89,644)	(78,790)
Fair value decrements to derivatives	25,210	5,247
Finance costs amortisation	382	574
CIB Accumulated indexation	2,231	2,513
Share based payments expense	182	190
Share based payments securities purchased	-	(130)
Depreciation	15	13
Decrease/(increase) in -		
Receivables	37	634
Deferred tax assets	27	24
Other assets	32	(1)
Increase/(decrease) in -		
Payables	(249)	(817)
Provisions	24	19
Net cash inflow from operating activities	**29,425**	28,840

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

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 2015 to 30 June 2016.

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

The Company is the Responsible Entity of the Trust.

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 3rd August 2016.

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 2016

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 the to the Audit, Compliance, and Risk Management Committee.

2. Investment property

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

	2016 $'000	2015 $'000
Investment properties	990,480	900,470
Reconciliation of fair value gains/losses for year ending 30 June 2016		
Fair value as at beginning of the year	900,470	821,680
Disposals during the year	-	-
Resumptions during the year	-	-
Additions during year	366	-
Carrying amount before revaluations	**900,836**	821,680
Fair value as at end of the year	990,480	900,470
Fair value gain/(loss) for year	**89,644**	78,790

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 2016, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 5.53% (2015: 5.99%).

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

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 12 years.

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 31 properties were independently valued as at 30 June 2016. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by CBRE and Herron Todd White.

The remaining 55 properties were subject to Directors' valuations as at 30 June 2016, identified as "B". The Directors' valuations of the 55 properties were determined by taking each property's net rent as at 30 June 2016 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 31 independent valuations completed at 30 June 2016 on a like for like basis. The Directors have received advice from CBRE and Herron Todd White, 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 capitalisation rate, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual passing rentals to arrive at the property valuation. The independent valuer also had regard to discounted cash flows modelling in deriving a final capitalisation rate although the capitalisation of income method remains the predominate method used in valuing the properties. A table showing the range of capitalisation rates applied to individual properties for each state in which the property is held is included below.

	2016 Yields	2015 Yields	**2016 Average**	**2015** Average
New South Wales	**4.97% - 6.10%**	5.10% - 6.36%	**5.37%**	5.64%
Victoria	**3.80% - 6.38%**	4.09% - 6.86%	**5.54%**	6.02%
Queensland	**3.20% - 6.49%**	4.62% - 6.75%	**5.46%**	6.05%
South Australia	**5.01% - 6.38%**	5.73% - 6.49%	**5.81%**	6.18%
Western Australia	**5.98% - 7.29%**	6.19% - 7.12%	**6.47%**	6.59%

2. Investment property

The fair value measurement for investment property of $990.48 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 2016 $000's	Valuation Technique	Inputs Used To Measure Fair Value	Range of Individual Property Unobservable inputs
Level 3	Pubs	990,480	Capitalisation method	Gross rent p.a ($'000's) Land tax p.a ($'000's) Adopted capitalisation rate	$152 - $1,631 $14 - $127 3.20% - 7.29%
			Discounted cash flow method	Gross rent p.a ($'000's) Land tax p.a ($'000's) Discount rates p.a Terminal capitalisation rates Consumer price index p.a	$152 - $1,631 $14 - $127 6.50% - 8.50% 6.00% - 6.50% 2.00% - 2.50%

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.

	2016 $'000	2015 $'000
(i) Future minimum lease payments		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	57,139	56,414
Later than one year but not later than five years	249,246	246,240
Later than five years	589,312	592,420
	895,697	895,074
(ii) Amount recognised in the profit and loss		
Rental income	56,172	55,214

Put and call options

For most of the investment properties, at the end of the initial lease term of 25 years (2028 for most of the portfolio), and at the end of each of four subsequent ten year terms if the lease in not renewed, there is a call option for ALE (or its nominee) and a put option for the tenant to require the landlord (or its nominee) to buy plant, equipment, goodwill, inventory, all then current consents, licences, permits, certificates, authorities or other approvals, together with any liquor licence, held by the tenant in relation to the premises. The gaming licence 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 2016 with a valuation date of 30 June 2016.
B	Directors' valuations conducted during June 2016 with a valuation date of 30 June 2016.

Properties were purchased in November 2003, unless otherwise indicated.

Notes to the financial statements (continued)

For the Year ended 30 June 2016

2. Investment property

Property	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2016 $'000	Fair value at 30 June 2015 $'000	Fair value gains/ (losses) 2016 $'000
New South Wales					
Blacktown Inn, Blacktown	5,472	A	12,000	10,810	1,190
Brown Jug Hotel, Fairfield Heights	5,660	B	12,230	11,410	820
Colyton Hotel, Colyton	8,208	B	17,220	15,900	1,320
Crows Nest Hotel, Crows Nest	8,772	A	17,700	16,150	1,550
Melton Hotel, Auburn	3,114	B	6,550	6,000	550
Narrabeen Sands Hotel, Narrabeen (Mar 09)	8,945	A	14,400	13,990	410
New Brighton Hotel, Manly	8,867	B	10,260	9,800	460
Pioneer Tavern, Penrith	5,849	B	12,690	11,830	860
Pritchard's Hotel, Mount Pritchard (Oct 07)	21,130	B	26,750	24,900	1,850
Smithfield Tavern, Smithfield	4,151	A	8,900	8,430	470
Total New South Wales properties	**80,168**		**138,700**	129,220	**9,480**
Queensland					
Albany Creek Tavern, Albany Creek	8,396	A	15,800	13,780	2,020
Alderley Arms Hotel, Alderley	3,303	B	6,320	5,660	660
Anglers Arms Hotel, Southport	4,434	B	8,840	8,150	690
Balaclava Hotel, Cairns	3,304	B	11,650	9,900	1,750
Breakfast Creek Hotel, Breakfast Creek	11,024	A	16,950	15,450	1,134
Burleigh Heads Hotel, Burleigh Heads (Nov 08)	6,685	A	13,700	12,010	1,690
Camp Hill Hotel, Camp Hill	2,265	B	4,240	3,810	430
Chardons Corner Hotel, Annerly	1,416	B	3,070	2,700	370
Dalrymple Hotel, Townsville	3,208	A	11,550	10,450	1,100
Edge Hill Tavern, Manoora	2,359	B	5,900	5,100	800
Edinburgh Castle Hotel, Kedron	3,114	A	6,500	5,150	1,350
Four Mile Creek, Strathpine (Jun 04)	3,672	B	7,280	6,560	720
Hamilton Hotel, Hamilton	6,604	B	12,550	11,350	1,200
Holland Park Hotel, Holland Park	3,774	A	12,750	11,000	1,750
Kedron Park Hotel, Kedron Park	2,265	A	4,000	3,560	440
Kirwan Tavern, Townsville	4,434	B	10,540	9,200	1,340
Lawnton Tavern, Lawnton	4,434	A	7,950	7,530	420
Miami Tavern, Miami	4,057	B	12,750	12,000	750
Mount Gravatt Hotel, Mount Gravatt	3,208	B	6,170	5,590	580
Mount Pleasant Tavern, Mackay	1,794	B	9,700	8,650	1,050
Noosa Reef Hotel, Noosa Heads (Jun 04)	6,874	B	10,310	9,700	610
Nudgee Beach Hotel, Nudgee	3,020	B	5,880	5,080	800
Palm Beach Hotel, Palm Beach	6,886	B	13,620	12,300	1,320
Pelican Waters, Caloundra (Jun 04)	4,237	A	7,900	7,130	770
Prince of Wales Hotel, Nundah	3,397	B	6,630	6,020	610
Racehorse Hotel, Booval	1,794	A	6,000	3,580	2,420
Redland Bay Hotel, Redland Bay	5,189	B	10,320	9,280	1,040
Royal Exchange Hotel, Toowong	5,755	A	10,000	9,500	500
Springwood Hotel, Springwood	9,150	B	17,130	15,200	1,930
Stones Corner Hotel, Stones Corner	5,377	A	10,000	9,350	650
Vale Hotel, Townsville	5,661	A	12,850	11,670	1,180
Wilsonton Hotel, Toowoomba	4,529	A	10,300	9,210	1,090
Total Queensland properties	**145,619**		**309,150**	275,620	**33,164**

Notes to the financial statements (continued)

For the Year ended 30 June 2016

2. Investment property

Property	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2016 $'000	Fair value at 30 June 2015 $'000	Fair value gains/ (losses) 2016 $'000
South Australia					
Aberfoyle Hub Tavern, Aberfoyle Park	3,303	B	6,570	6,290	280
Eureka Tavern, Salisbury	3,303	B	5,560	5,400	160
Exeter Hotel, Exeter	1,888	A	4,100	3,930	170
Finsbury Hotel, Woodville North	1,605	B	3,590	3,440	150
Gepps Cross Hotel, Blair Athol	2,171	A	5,800	4,610	1,190
Hendon Hotel, Royal Park	1,605	B	3,790	3,500	290
Stockade Tavern, Salisbury	4,435	B	5,550	5,350	200
Total South Australian properties	**18,310**		**34,960**	32,520	**2,440**
Victoria					
Ashley Hotel, Braybrook	3,963	A	8,750	7,780	970
Bayswater Hotel, Bayswater	9,905	B	19,790	18,400	1,390
Berwick Inn, Berwick (Feb 06)	15,888	A	18,700	17,500	1,200
Blackburn Hotel, Blackburn	9,433	B	17,450	16,000	1,450
Blue Bell Hotel, Wendouree	1,982	A	4,800	4,530	270
Boundary Hotel, East Bentleigh (Jun 08)	17,943	B	22,900	21,000	1,900
Burvale Hotel, Nunawading	9,717	A	21,000	17,820	3,180
Club Hotel, Ferntree Gully	5,095	B	10,940	9,800	1,140
Cramers Hotel, Preston	8,301	B	17,260	15,680	1,580
Deer Park Hotel, Deer Park	6,981	B	14,520	13,180	1,340
Doncaster Inn, Doncaster	12,169	B	22,920	20,820	2,100
Ferntree Gully Hotel/Motel, Ferntree Gully	4,718	B	8,120	7,400	720
Gateway Hotel, Corio	3,114	B	7,710	7,000	710
Keysborough Hotel, Keysborough	9,622	B	19,530	17,600	1,930
Mac's Melton Hotel, Melton	6,886	B	13,850	12,580	1,270
Meadow Inn Hotel/Motel, Fawkner	7,689	B	15,770	14,320	1,450
Mitcham Hotel, Mitcham	8,584	A	16,600	15,220	1,380
Morwell Hotel, Morwell	1,511	B	2,710	2,400	310
Olinda Creek Hotel, Lilydale	3,963	B	8,020	7,300	720
Pier Hotel, Frankston	8,019	A	15,100	14,250	850
Plough Hotel, Mill Park	8,490	A	15,500	14,110	1,390
Prince Mark Hotel, Doveton	9,810	B	19,660	18,000	1,660
Royal Exchange, Traralgon	2,171	A	5,000	4,710	290
Sandbelt Club Hotel, Moorabbin	10,849	A	22,000	19,830	2,170
Sandown Park Hotel/Motel, Noble Park	6,321	B	12,380	11,240	1,140
Sandringham Hotel, Sandringham	4,529	A	11,500	10,130	1,370
Somerville Hotel, Somerville	2,642	B	6,510	5,700	810
Stamford Inn, Rowville	12,733	A	26,000	23,900	2,100
Sylvania Hotel, Campbellfield	5,377	B	11,660	10,600	1,060
The Vale Hotel, Mulgrave	5,566	B	12,240	11,300	940
Tudor Inn, Cheltenham	5,472	B	11,440	9,900	1,540
Village Green Hotel, Mulgrave	12,546	B	23,790	21,600	2,190
Young & Jackson, Melbourne	6,132	B	14,840	13,600	1,240
Total Victorian properties	**248,121**		**478,960**	435,200	**43,760**
Western Australia					
Queens Tavern, Highgate	4,812	B	8,300	8,210	90
Sail & Anchor Hotel, Fremantle	3,114	B	4,500	4,300	200
The Brass Monkey Hotel, Northbridge (Nov 07)	7,815	B	9,410	9,000	410
Balmoral Hotel, East Victoria Park (Jul 07)	6,377	B	6,500	6,400	100
Total Western Australian properties	**22,118**		**28,710**	27,910	**800**
Total investment properties	**514,336**		**990,480**	900,470	**89,644**

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

	2016 $'000	2015 $'000
Non-current borrowings		
Capital Indexed Bond (CIB)	145,402	143,107
Australian Medium Term Notes (AMTN)	334,126	333,808
	479,528	**476,915**

CIB	2016 $'000	2015 $'000
Gross value of debt	111,900	111,900
Accumulated indexation	34,245	32,014
Unamortised borrowing costs	(743)	(807)
Net balance	**145,402**	**143,107**

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

AMTN	2016 $'000	2015 $'000
Gross value of debt	335,000	335,000
Unamortised borrowing costs	(874)	(1,192)
Net balance	**334,126**	**333,808**

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

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:

	2016 $'000	2015 $'000
Current assets		
Cash - CIB borrowings reserves	8,390	8,390
Non-current assets		
Total investment properties	990,480	900,470
Less: Properties not subject to mortgages		
Pritchard's Hotel, NSW	(26,750)	(24,900)
Properties subject to mortgages	963,730	875,570
Total assets pledged as security	**972,120**	883,960

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

3. Capital structure and financing

Terms and Repayment Schedule

	Nominal Interest Rate	Maturity Date[1]	30 June 2016 Face Value $'000	30 June 2016 Carrying Amount $'000	30 June 2015 Face Value $'000	30 June 2015 Carrying Amount $'000
CIB	3.4%[2]	Nov-2023	111,900	146,145	111,900	143,914
AMTN	4.25%	Aug-2017	110,000	110,000	110,000	110,000
AMTN	5.00%	Aug-2020	225,000	225,000	225,000	225,000
			446,900	481,145	446,900	478,914
Unamortised borrowing costs				(1,617)		(1,999)
Total borrowings				**479,528**		**476,915**

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.

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 is shown below:

	Carrying Amount $'000	Fair Value $'000
30 June 2016		
CIB	145,402	151,370
AMTN	334,126	347,019
	479,528	**498,389**
30 June 2015		
CIB	143,107	152,050
AMTN	333,808	346,584
	476,915	**498,634**

Both borrowings are classed as Level 3.

Valuation techniques used to derive level 2 fair values

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

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

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

3.2 Financial Risk Management

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

- credit risk
- market risk
- liquidity risk

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

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

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

3. Capital structure and financing

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

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

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

	2016 $'000	2015 $'000
Derivative financial assets	-	-
Derivative financial liabilities	(26,349)	(1,140)
Borrowings		
CIB	(145,402)	(143,107)
AMTN	(334,126)	(333,808)
	(505,877)	(478,055)

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 2015.

	100 bps increase $'000	100 bps decrease $'000
30 June 2016		
Interest rate hedges	19,801	(22,474)
CIB	-	-
AMTN	-	-
	19,801	**(22,474)**
30 June 2015		
Interest rate hedges	6,097	(6,599)
CIB	-	-
AMTN	-	-
	6,097	**(6,599)**

3. Capital structure and financing

Consumer price index risk

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

Profile

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

	2016 $'000	2015 $'000
Financial instruments		
Investment properties	990,480	900,470
CIB	(145,402)	(143,107)
	845,078	**757,363**

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/(decreased) Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and capitalisation rates applicable to investment properties, remain constant. The analysis was performed on the same basis for 2015.

	100 bps increase $'000	100 bps decrease $'000
30 June 2016		
Investment properties	9,937	-
CIB	-	-
	9,937	**-**
30 June 2015		
Investment properties	9,961	-
CIB	-	-
	9,961	**-**

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

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

Property valuation risk

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

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.

3. Capital structure and financing

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

30 June 2016	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities						
Trade and other payables	(7,457)	(7,457)				
CIB	(209,970)	(2,454)	(2,478)	(4,994)	(15,522)	(184,522)
AMTN	(392,637)	(7,962)	(7,962)	(123,588)	(253,125)	-
						-
Derivative financial instruments						
Interest rate hedges	(32,293)	225	149	(1,497)	(8,464)	(22,706)
	(642,357)	**(17,648)**	**(10,291)**	**(130,079)**	**(277,111)**	**(207,228)**
30 June 2015						
Non-derivative financial liabilities						
Trade and other payables	(7,706)	(7,706)				
CIB	(225,159)	(2,440)	(2,454)	(4,999)	(15,771)	(199,495)
AMTN	(408,562)	(7,962)	(7,962)	(15,925)	(146,088)	(230,625)
Derivative financial instruments						
Interest rate hedges	(1,360)	193	195	344	(2,269)	177
	(642,787)	**(17,915)**	**(10,221)**	**(20,580)**	**(164,128)**	**(429,943)**

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.

Interest rate hedges

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

	2016 $'000	**2015 $'000**
Current assets	-	-
Non current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non current liabilities	(26,349)	(1,140)
Total liabilities	(26,349)	(1,140)
Net assets/(liabilities)	(26,349)	(1,140)

Current year fair value adjustments to derivatives

	2016 $'000	**2015 $'000**
Fair value increments/ (decrements) to interest rate hedge derivatives	(25,210)	(5,247)

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

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

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

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

3. Capital structure and financing

At 30 June 2016, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Nominal Interest Rate Hedges		Counter Hedges on Nominal Interest Rate Hedges		Net Derivative Position	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Less than 1 year	-	-	-	-	-	-
1 - 2 years	-	-	-	-	-	-
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	(30,000)	-	(30,000)	-
4 - 5 years	-	-		(30,000)	-	(30,000)
Greater than 5 years	506,000	280,000	-	-	506,000	280,000

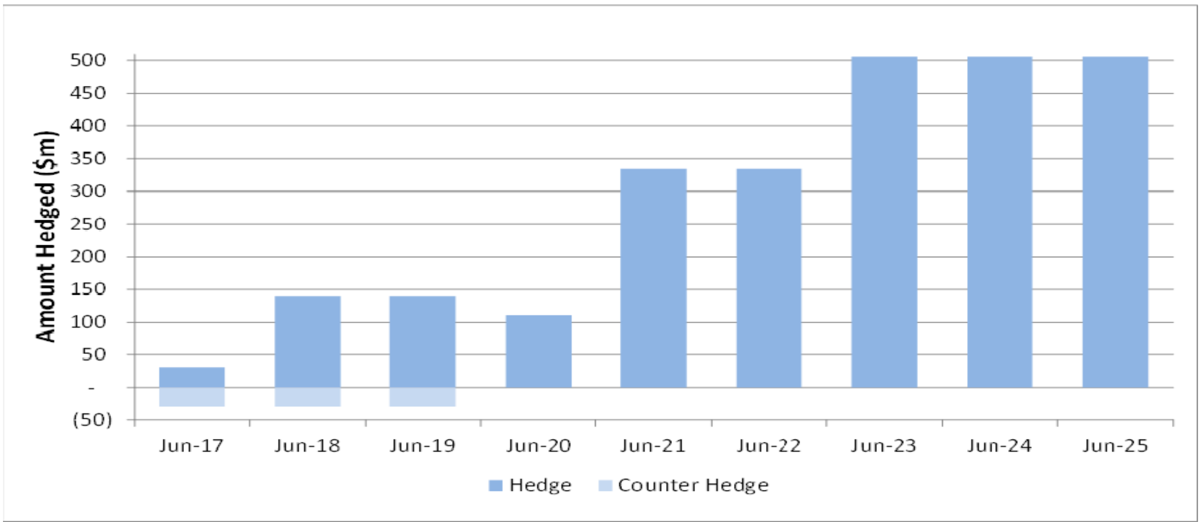
ALE has a forward start hedge in place and a counter hedge that is currently active. During the current year additional hedging was put in place to extend the term of the net hedging.

The forward start hedge commences on the date of the maturity of the August 2017 AMTN borrowing and increases on maturity of the August 2020 AMTN borrowings, 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 has increased from 7.8 years at 30 June 2015 to 9.4 years at 30 June 2016.

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



3. Capital structure and financing

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

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
All covenants exclude the mark to market value of derivatives

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

ALE currently considers that significant headroom exists with respect of all the above covenants. At all times during the years ended 30 June 2016 and 30 June 2015, ALE and its subsidiaries were in compliance with all the above covenants.

3. Capital structure and financing

3.3 Equity

	2016 $'000	2015 $'000
Balance at the beginning of the period	257,870	257,870
Securities issued - ESSS	248	-
	258,118	257,870

Movements in the number of fully paid stapled securities during the year	**2016 Number**	**2015 Number**
Opening balance	195,702,333	195,702,333
Securities issued - ESSS	66,747	-
Closing balance	195,769,080	195,702,333

Measurement and recognition

Ordinary units and ordinary shares are classified as contributed equity.

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

Stapled securities

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

No income voting units (NIVUS)

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

3.4 Capital management

Capital management

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 ongoing capital distribution payments to stapled securityholders on a fully transparent basis. Additionally, the available total returns on all new acquisitions are tested against the anticipated weighted cost of capital at the time of the acquisition.

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

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

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

The total gearing ratios (total liabilities as a percentage of total assets) at 30 June 2016 and 30 June 2015 were 51.8% and 53.1% respectively.

The net gearing ratios (total borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets) at 30 June 2016 and 30 June 2015 were 44.9% and 48.0% respectively.

3. Capital structure and financing

3.5 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand	3,456	2,333
Deposits at call	26,073	34,089
Cash reserve	8,390	8,390
	37,919	44,812

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 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 2016 all cash assets were placed on deposit with National Australia Bank Limited and Bankwest Limited. As at 30 June 2016, the weighted average interest rate on all cash assets was 2.66% (2015:2.75%).

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

	2016 $'000	2015 $'000
Revenue		
Rent from investment properties	56,172	55,214
Interest from cash deposits	1,054	1,779
Total revenue	**57,226**	56,993
Other income		
Fair value increments to investment properties	89,644	78,790
Other income	43	53
Total other income	**89,687**	78,843
Total revenue and other income	**146,913**	135,836

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 2016 the weighted average interest rate earned on cash was 2.66% (2015: 2.75%)

4.2 Other expenses

	2016 $'000	2015 $'000
Audit, accounting, tax and professional fees	206	193
Annual reports	105	96
Depreciation expense	16	13
Insurance	167	178
Legal fees	187	165
Occupancy costs	115	124
Corporate and property expenses	908	552
Property revaluations, and condition and compliance	466	396
Registry fees	100	126
Staff training	32	23
Travel and accommodation	102	114
Trustee and custodian fees	156	150
Total other expenses	**2,560**	2,130
Total other expenses	2,560	2,130
Salaries and related costs	2,509	2,538
Less: Share based payments expense	(182)	(190)
Total cash other expenses	4,887	4,478

Recognition and measurement

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

4. Business performance

4.3 Finance costs

	2016 $'000	2015 $'000
Finance costs - cash		
Capital Indexed Bonds (CIB)	4,929	4,867
Australian Medium Term Notes (AMTN)	15,937	15,925
ALE Notes 2	-	940
Interest rate derivative payments/(receipts)	(390)	(534)
Other finance expenses	191	222
	20,667	21,420
Finance costs - non-cash		
Accumulating indexation - CIB	2,231	2,513
Amortisation - CIB	64	58
Amortisation - AMTN	284	270
Amortisation - AMTN discount	34	32
Amortisation - ALE Notes 2	-	214
Other finance expenses	-	-
	2,613	**3,087**
Finance costs (cash and non-cash)	**23,280**	24,507

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:

	2016 $'000	2015 $'000
Profit before income tax	91,213	99,321
Profit attributable to entities not subject to tax	91,291	99,262
Profit/(Loss) before income tax expense subject to tax	(78)	59
Tax at the Australian tax rate	(23)	18
Share based payments	58	18
Other	1	-
Under/(over) provision in prior years	(1)	(79)
Income tax expense/(benefit)	**35**	**(43)**
Current tax expense/(benefit)	62	(67)
Deferred tax expense/(benefit)	(27)	24
Income tax expense/(benefit)	**35**	**(43)**

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.

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

	2016 $	2015 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports		
- in relation to current year	171,500	160,000
- in relation to prior year	12,500	5,000
Total remuneration for audit services	184,000	165,000
KPMG Australian firm:		
Other services	18,259	
Total remuneration for all services	202,259	165,000

4.6 Distributable income

Reconciliation of profit after tax to amounts available for distribution:

	2016 $'000	2015 $'000
Profit after income tax	**91,178**	99,364
Plus /(less)		
Fair value increments to investment properties	(89,644)	(78,790)
Fair value decrements to derivatives	25,210	5,247
Employee share based payments	182	190
Finance costs - non cash	2,613	3,087
Income tax expense	35	(43)
Adjustments for non-cash items	(61,604)	(70,309)
Total available for distribution	29,574	29,055
Distribution paid or provided for	39,154	32,976
Available and under/(over) distributed	**(9,580)**	(3,921)
Distribution funded as follows		
Current year distributable profits	29,574	29,055
Prior year undistributed profits	6,523	3,921
Capital and surplus cash	3,057	-
	39,154	**32,976**

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.

	2016	2015
Profit attributable to members of the Group ($000's)	91,178	99,364
Weighted average number of stapled securities	195,759,597	195,702,333
Basic earnings per security (cents)	46.58	50.77

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.

	2016	2015
Profit attributable to members of the Group ($000's)	91,178	99,364
Weighted average number of stapled securities	195,999,370	195,947,573
Diluted earnings per security (cents)	46.52	50.71

Distributable profit per security

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

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

	2016	2015
Distributable profit attributable to members of the Group ($000's)	29,574	29,055
Number of stapled securities at the end of the year	195,769,080	195,702,333
Distributable profit per security (cents)	15.11	14.85

Distributed profit per security

	2016	2015
Distributable income per stapled security	15.11	14.85
Distribution paid per stapled security	20.00	16.85
Under/(over) distributed for the year	(4.89)	(2.00)
Distribution funded as follows		
Current year distributable profits	15.11	14.85
Prior year undistributed profits	3.33	2.00
Capital and surplus cash	1.56	-
	20.00	**16.85**

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

	2016 $'000	2015 $'000
Employee benefits provision:		
Current	169	145

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

	2016 $	2015 $
Short term employee benefits	1,861,142	1,839,888
Post employment benefits	135,558	130,179
Other long term benefits	17,438	15,965
Share based payments	182,000	190,000
Termination benefits	-	-
	2,196,138	**2,176,032**

Recognition and measurement

Wages and salaries, annual leave and sick leave

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

Bonus and incentive plans

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

Long service leave

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

Retirement benefit obligations

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

5.3 Employee share plans

Executive Stapled Security Scheme (ESSS)

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

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

6. Other

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

6.1 New accounting standards

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 17 Leasing

IFRS 17 establishes a comprehensive framework the accounting policies and disclosures applicable to leases, both for lessees and lessors. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

6.2 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 ALE Property Group's properties are leased to members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2015: 100%).

6.3 Events occurring after balance date

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

6.4 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. Other

6.5 Investments in controlled entities

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

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

6.6 Related party transactions

Parent entity and subsidiaries
Details are set out in Note 6.5 and 6.7.

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 2016, the Company received $4,108,938 of expense reimbursement from the Trust (2015: $4,013,868), and the Finance Company charged the Sub Trust $7,243,821 interest (2015: $7,454,819).

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

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.

6.7 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2016 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2016 $'000	2015 $'000
Profit for the year	70,356	29,196
Financial position of the parent entity		
Current assets		
Cash	21	21
Non current assets		
Investments in controlled entities	275,656	275,656
Total assets	**275,677**	**275,677**
Current liabilities		
Payables	4,900	39,577
Provisions	19,773	16,537
Total liabilities	24,673	56,114
Net assets	**251,004**	**219,563**
Issued units	252,431	252,192
Retained earnings	(1,427)	(32,629)
Total equity	**251,004**	**219,563**

DIRECTORS' DECLARATION

For the Year ended 30 June 2016

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 2016 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 2016.

(d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Peter H Warne
Chairman

Andrew Wilkinson
Managing Director

Dated this 4th day of August 2016

KPMG

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

Report on the financial report

We have audited the accompanying financial report of ALE Property Group (the Group), which comprises the statement of financial position as at 30 June 2016, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Australian Leisure and Entertainment Property Trust (the Trust) and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of the Trust (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

> (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2016. The directors of the Group are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of ALE Property Group for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer
Partner

Sydney

4 August 2016

Securityholders

The securityholder information as set out below was applicable as at 7 July 2016.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Total Holders	Number of Securities	% of Issued Capital
1 - 1,000	813	260,353	0.13
1,001 - 5,000	1,300	3,996,308	2.04
5,001 - 10,000	940	7,186,003	3.67
10,001 - 100,000	1,712	44,685,089	22.83
100,001 - 999,999,999	116	139,641,327	71.33
Total	4,881	195,769,080	100.00

The stapled securities are listed on the ASX and each stapled security is composed of one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The NIVUS have been issued by the Trust to the Company. The number of securityholders holding less than a marketable parcel of stapled securities is 317.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	UBS Nominees Pty Ltd	21,824,310	11.15
2	Woolworths Limited	17,076,936	8.72
3	HSBC Custody Nominees (Australia) Limited	17,074,996	8.72
4	National Nominees Limited	11,223,411	5.73
5	Citicorp Nominees Pty Limited	10,822,236	5.53
6	National Nominees Limited	8,309,005	4.24
7	HSBC Custody Nominees (Australia) Limited [Account 2]	7,002,991	3.58
8	J P Morgan Nominees Australia Limited	4,445,011	2.27
9	Melic Pty Limited [The Melic Unit A/C]	3,317,591	1.69
10	HSBC Custody Nominees (Australia) Limited [GSCO ECA]	3,075,593	1.57
11	Manderrah Pty Ltd [GJJ Family A/C]	2,992,733	1.53
12	HSBC Custody Nominees (Australia) Limited [Account 3]	2,903,295	1.48
13	Edward Furnival Griffin and Alastair Charles Griffin [Est Jean Falconer Griffin]	2,795,751	1.43
14	UBS Nominees Pty Ltd [Prime Broking A/C]	2,000,000	1.02
15	ABN AMRO Clearing Sydney Nominees Pty Ltd [Custodian Account]	1,450,189	0.74
16	Merlor Holdings Pty Ltd [Basserabie Family Account]	1,100,000	0.56
17	Mr David Calogero Loggia	988,376	0.50
18	Merlor Holdings Pty Ltd [Basserabie Family Settlement Account]	830,026	0.42
19	BT Portfolio Services Limited [Caergwrle Invest P/L Account]	745,787	0.38
20	C J H Holdings Pty Ltd [Superannuation Fund Account]	660,953	0.34
Totals: Top 20 Holders of Stapled Securities		120,639,190	61.62
Totals: Remaining Holders Balance		75,129,890	38.38

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 7 July 2016) are set out below:

Stapled Securityholder	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	52,955,154	27.05
Woolworths Limited	17,076,936	8.72
Allan Gray Australia	13,868,884	7.08

D. VOTING RIGHTS

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

(a) Stapled securities

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

(b) NIVUS

Each NIVUS entitles the Company to one vote at a meeting of the Trust. 9,080,000 NIVUS have been issued by the Trust to the Company and 195,769,080 units have been issued by the Trust to stapled securityholders. The NIVUS therefore represent 4.43% of the voting rights of the Trust.

E. EQUITY RESEARCH COVERAGE OF ALE

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

- Paul Checchin and Rob Freeman – Macquarie Securities
- Richard Jones – JP Morgan Securities
- Johannes Faul – Morningstar
- Jon Mills – Intelligent Investor

F. 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.

2016	
25 Oct	Annual General meeting
5 Sep	2nd half distribution payment
4 Aug	Full Year results, Annual Review / Report and Property Compendium released
30 Jun	Resignation and appointment of Company Secretary
14 Jun	Property valuation increased by 10%
10 Jun	Half year distribution of 10.10 cents declared
10 Jun	Full year distribution of 20.00 announced
8 Jun	Change in substantial holding from Woolworths
29 Feb	Taxation Components of Distribution
16 Feb	Results Half Year Ended 31 December 2015 Presentation
16 Feb	Results Half Year Ended 31 December 2015
16 Feb	Appendix 4D - 31 December 2015
11 Feb	Caledonia increases substantial holding to 27.05%
4 Feb	Hedging Extended At Low Interest Rates

2015	
16 Dec	Property Valuations increased by 5.9%
10 Jun	Half year distribution of 9.90 cents declared
2 Nov	Moodys Affirms Aaa rating of ALEs Capital Indexed Bonds
27 Oct	Annual General Meeting
7 Sep	2nd half distribution payment
6 Aug	Full Year results, Annual Review / Report and Property Compendium released
17 Jul	Property Valuations increased by 9.6% for year
10 Jun	Half year distribution of 8.45 cents declared
10 Jun	Full year distribution of 16.85 cents announced
10 Mar	Caledonia increases substantial holding to 25.39%
6 Mar	Allan Gray reduces substantial holding to 8.21%
5 Mar	Half year distribution payment
6 Feb	Appointment of Nancy Milne as non-executive Director
5 Feb	Half year results released

INVESTOR INFORMATION

For the Year ended 30 June 2016

Stock Exchange Listing

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

Distribution Reinvestment Plan

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

Distributions

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

Electronic Payment of Distributions

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

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

Annual Tax Statement

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

Publications

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

Website

The ALE website, www.alegroup.com.au, 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

2016

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

Contents

The Directors of Australian Leisure and Entertainment Property Management Limited (the "Company") present their report for the year ended 30 June 2016.

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 2016.

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 H Warne, *B.A, FAICD*
Independent Non Executive Director
Chairman of the Board

Appointed: 8 September 2003
Member of the Audit, Compliance and Risk Management Committee (ACRMC)
Member of the Nominations Committee
Member of the Remuneration Committee

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

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

Ms Phillipa Downes, *BSc (Bus Ad), MAppFin, GAICD*
Independent Non Executive Director

Appointed: 26 November 2013
Chair of the ACRMC
Member of the Nominations Committee
Member of the Remuneration Committee

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

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

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

Name	Experience, responsibilities and other directorships
H I Wright, *LL.B, MAICD* *Independent Non Executive Director* 	Appointed: 8 September 2003 Resigned: 27 October 2015 Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practiced as a commercial lawyer specialising in legislative interpretation, contract, and real estate projects including development and financing and related taxation and stamp duties. Helen has a Bachelor of Laws from the University of NSW and in 1994 completed the Advanced Management Program at the Harvard Graduate School of Business Administration.
Ms Nancy Milne, *OAM, LLB, FAICD* *Independent Non Executive Director* 	Appointed: 6 February 2015 Member of the ACRMC Member of the Nominations Committee Member of the Remuneration Committee 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, deputy chairman of the State Insurance Regulatory Authority and a director of Pillar Administration. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, State Plus and Novion Property Group (now Vicinity Centres). Nancy has a Bachelor of Laws from the University of Sydney. She is a member of the NSW Council of the Australian Institute of Company Directors and the Institute's Law Committee.
Mr Paul Say, *FRICS, FAPI* *Independent Non Executive Director* 	Appointed: 24 September 2014 Member of the ACRMC Chair of the Nominations Committee Chair of the Remuneration Committee Paul has over 30 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 GPT Metro Office Fund and Frasers Logistic & Industrial Trust (SGX listed). 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).
Mr James McNally *B.Bus (Land Economy), Dip. Law* *Executive Director* 	Appointed: 26 June 2003 Responsible Manager of the Company under the Company's AFSL James is 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.

Name	Experience, responsibilities and other directorships
Mr Andrew Wilkinson *B.Bus, CFTP, MAICD* *Managing Director* 	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) 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.

2. OTHER APPOINTMENTS

Name	Experience
Mr Michael Clarke *BCom, MMan, CA, ACIS* *Company Secretary and Finance Manager* 	Appointed: 30 June 2016 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. Michael has over 30 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.
Mr David Lawler *B.Bus, CPA* *Independent member of ACRMC* 	Appointed: 9 December 2005 David was appointed to ALE's ACRMC on 9 December 2005 and has over 25 years' experience in internal auditing in the banking and finance industry. He was the Chief Audit Executive for Citibank in the Philippines, Italy, Switzerland, Mexico, Brazil, Australia and Hong Kong. He was Group Auditor for the Commonwealth Bank of Australia. David is, the Chairman of the Australian Trade and Investment Commission Audit and Risk Committee, and the National Mental Health Commission Audit Committee, and is an audit committee member of the Australian Office of Financial Management, the Department of Foreign Affairs and Trade, the Australian Sports Anti-Doping Authority, and the Australian Maritime Safety Authority. David is Chairman of Australian Settlements Limited. David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and a past President of the Institute of Internal Auditors – Australia.

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
P H Warne	ASX Limited	Non-executive	July 2006	
P H Warne	Crowe Horwath Australasia Limited	Non-executive	May 2007	Jan 2015
P H Warne	OzForex Group Limited	Chairman	October 2013	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	
P G Say	GPT Metro Office Fund	Non-executive	Ággust 2014	
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive	June 2016	

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
P H Warne	Non-executive Director	1,185,000	-	1,185,000
P J Downes	Non-executive Director	213,904	-	213,904
P G Say	Non-executive Director	-	25,000	25,000
N J Milne	Non-executive Director	20,000	-	20,000
A F O Wilkinson	Executive Director	244,723	73,136	317,859
J T McNally	Executive Director	55,164	-	55,164
A J Slade	Capital Manager	50,000	23,611	73,611
M J Clarke	Company Secretary and Finance Manager	15,000	2,500	17,500
D J Shipway	Asset Manager	4,000	-	4,000

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
ESSS Rights					
A F O Wilkinson	Executive Director	141,746	33,365	(43,136)	131,975
A J Slade	Capital Manager	74,078	15,888	(23,611)	66,355
M J Clarke	Finance Manager	16,669	6,355	-	23,024
D J Shipway	Asset Manager	12,747	4,767	-	17,514

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 2016 and the number of meetings attended by each director at the time the director held office during the year were:

	Board		ACRMC		Nominations Committee and Remuneration Committee	
Director	Held [1]	Attended	Held [1]	Attended	Held [1]	Attended
P H Warne	14	13	6	6	5	5
H I Wright	8	8	3	3	2	2
P J Downes	14	13	6	6	5	5
P G Say	14	11	6	6	5	5
N J Milne	14	14	6	5	5	5
A F O Wilkinson	14	14	n/a	n/a	n/a	n/a
J T McNally	14	14	n/a	n/a	n/a	n/a
Member of Audit, Compliance and Risk Management Committee						
D J Lawler	n/a	n/a	6	6	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.

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 12.3 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 2016 $	30 June 2015 $
Revenue		
Expense reimbursement	4,108,938	4,013,868
Interest income	23,795	12,664
Total revenue	**4,132,733**	**4,026,532**
Expenses		
Salaries, fees and related costs	2,479,253	2,508,417
Other expenses	1,811,685	1,565,452
Total expenses	**4,290,938**	**4,073,869**
Profit / (loss) before income tax	**(158,205)**	**(47,337)**
Income tax expense / (benefit)	**7,763**	**(74,675)**
Profit / (loss) attributable to the shareholders of the Company	**(165,968)**	**27,338**
	Cents	**Cents**
Basic and diluted earnings per share	**(0.08)**	0.01
Dividend per share for the year	-	-
Net assets per share	**7.27**	7.39

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 (2015: nil).

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

9 REMUNERATION REPORT (Audited)

This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2016 for employees of ALE including the directors, the Managing Director and key management personnel.

9.1 Remuneration Objectives and Approach

In determining a remuneration framework, the Board aims to ensure the following:
- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- 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 (KPI's); and
- market competitive and complementary to the reward strategy of the organisation.

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

9.2 Remuneration 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 2016, the Committee consisted of the following:

P G Say	Non-executive Director	Chairman of Remuneration Committee
P H Warne	Non-executive Director	
H I Wright	Non-executive Director	(Resigned 27 October 2015)
P J Downes	Non-executive Director	
N J Milne	Non-executive Director	

Page 2 of this 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.

The Committee considers advice from a wide range of external advisors in performing its role. During the current financial year the Committee retained Godfrey Remuneration Group to advise on remuneration.

Godfrey Remuneration Group was paid $16,000 for its services.

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.

How are EIS awards delivered?	EIS cash payments are made in August each year following the signing of ALE's full year statutory financial statements. The deferred component comprises an award of stapled securities under the ESSS. Any securities awarded under the ESSS are delivered three years after the award date provided certain conditions have been met.
How is the ESSS award calculated?	The number of ESSS Rights awarded annually under the ESSS will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE's full year statutory financial statements, and grossing this number up for the future value of the estimated distributions over the three year deferred delivery period.
What conditions are required to be met for the delivery of an ESSS award?	During the three year deferred delivery period, the delivery of the Stapled Securities issued under the ESSS remains subject to the following clawback tests. ESSS rights will be forfeited in whole or in part at the discretion of the Remuneration Committee if before the end of the deferred delivery period: • the Committee becomes aware of any executive performance matter which, had it been aware of the the matter at the time of the original award, would have in their reasonable opinion resulted in a lower original award; or • the executive engages in any conduct or commits any act which, in the Committee's reasonable opinion, adversely affects ALE Property Group including, and without limitation, any act which: ▪ results in ALE having to make any material negative financial restatements; ▪ causes ALE to incur a material financial loss; or ▪ causes any significant financial or reputational harm to ALE and/or its businesses.

9.3.3 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Don Shipway	James McNally	Margaret Sullivan
Position	Managing Director	Capital Manager	Finance Manager and Company Secretary	Asset Manager	Executive Director	Compliance Officer
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$457,400	$258,320	$211,000	$200,800	$100,000	$50,000
Notice by ALE	6 months	3 months	3 months	1 month	1 month	1 month
Notice by Executive	6 months	3 months	3 months	1 month	1 month	1 month

Managing Director

On 30 July 2014 Mr Wilkinson signed a new service agreement that commenced on 1 September 2014. The agreement stipulates the 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.

9.4 Executive Remuneration outcome for year ended 30 June 2016

Details of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 13.

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

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2016.

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

Capital Matters
- ALE executed a hedge that extended the term of the hedging on 100% of ALE's net debt to November 2025;
- ALE's investment grade credit rating of Baa2 (with stable outlook) was fully maintained;
- Management continued to explore a range of debt funding solutions in both the domestic and offshore capital markets with a view to positioning ALE for future debt refinancings and readiness to implement additional debt funding of any acquisitions; and
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation.

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

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

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

Executive	Target EIS (as % of FAR)	EIS Awarded (as % of FAR)	EIS Awarded as a % of Target	EIS Awarded	Cash Component	ESSS Component
Andrew Wilkinson	60%	45.0%	75.1%	$206,000	$103,000	$103,000
Andrew Slade	50%	39.9%	79.7%	$103,000	$51,500	$51,500
Michael Clarke	n/a	19.0%	-	$40,000	$20,000	$20,000
Don Shipway	n/a	7.5%	-	$15,000	$7,500	$7,500

A review of ALE's current year performance and history is provided in the Operational and Financial Review on page 6 of the Directors 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	34,878	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A F O Wilkinson	63,732	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A F O Wilkinson	33,365	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
A J Slade	19,092	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
A J Slade	31,375	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
A J Slade	15,888	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
M J Clarke	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
M J Clarke	7,844	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
M J Clarke	6,355	20 Aug 15	1 Jul 14	3.15	31 Jul 18	Nil	Nil
D J Shipway	8,825	30 Sep 13	1 Jul 12	2.27	31 Jul 16	Nil	Nil
D J Shipway	3,922	1 Oct 14	1 Jul 13	2.55	31 Jul 17	Nil	Nil
D J Shipway	4,767	20 Aug 15	1 Jul 14	3.15	31 Jul 18	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	312,790	105,000	(71,250)	-	346,540	159,603
A J Slade	162,264	50,000	(39,000)	-	173,264	87,361
M J Clarke	40,000	20,000		-	60,000	-
D J Shipway	30,000	15,000		-	45,000	-
By Number						
A F O Wilkinson	141,746	33,365	(43,136)	-	131,975	
A J Slade	74,078	15,888	(23,611)	-	66,355	
M J Clarke	16,669	6,355		-	23,024	
D J Shipway	12,747	4,767		-	17,514	

9.6 Equity based compensation

The value of ESSS disclosed in section 9.5.3 and 9.9 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 11 August 2016.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

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

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

9.7.2 Remuneration Structure

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

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

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

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

9.8 Response to Vote Against the 2015 Remuneration Report

At the Annual General Meeting of the Company (AGM) held on 27 October 2015 a resolution was put to the vote that the Remuneration Report for the last financial year ending 30 June 2015. More than 25% of the votes cast were against adoption of the Report. The resolution failed to pass because ALE's major securityholder, Caledonia Private Investments, who owned 25.39% and other securityholders that owned 0.61% of securities voted against the resolution.

No negative comments were made at the AGM in respect of the Remuneration Report by representatives of Caledonia who were present. Subsequent to the AGM members of the Remuneration and Nominations Committee of the company held discussions with Caledonia to gain an understanding of concerns that may have lead to the rejection of the Remuneration Report resolution. No concerns were given to the Board in relation to the Remuneration Report. In addtion no other securityholder has expressed concerns in relation to the Remuneration Report.

On the following basis the Board has made no material adjustments to remuneration arrangements:

1. At no time in the last three years has the Committee received any negative comments concerning ALE's Remuneration Report;
2. At no time in the last three years have the levels of Executive and Board Remuneration been varied materially;
3. ALE's Remuneration Reports in 2012, 2013 and 2014 were all adopted with votes for the Report above 97%;
4. The Remuneration and Nominations Committee consistently engages external consultants to advise on remuneration matters and awarded remuneration is within the peer groups used for comparison; and
5. The Board has been advised of no other concerns with respect to ALE's Remuneration Report.

The Board will continue make itself available to securityholders concerning remuneration matters and will consider any concerns raised.

9.9 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 2016 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 2015 to 30 June 2016

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2016 are set out in the following table:

Key management personnel		Short term				Post employment benefits			Equity based payment			
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Superannuation benefits $	Other long term benefits $	Termination benefits $	ESSS $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration $
P H Warne	Non-executive Director	159,817	-	-	159,817	15,183	-	-	-	175,000	-	-
H I Wright[1]	Non-executive Director	31,963	-	-	31,963	3,037	-	-	-	35,000	-	-
P J Downes	Non-executive Director	96,184	-	-	96,184	9,137	-	-	-	105,321	-	-
P G Say	Non-executive Director	108,750	-	-	108,750	-	-	-	-	108,750		
N J Milne	Non-executive Director	91,324	-	-	91,324	8,676	-	-	-	100,000		
B R Howell [2]	Company Secretary	90,000	-	-	90,000	-	-	-	-	90,000	-	-
A F O Wilkinson	Executive Director	411,512	103,000	-	514,512	35,000	7,310	-	103,000	659,822	31.2%	15.6%
J T McNally	Executive Director	100,000	-	-	100,000	-	-	-	-	100,000	-	-
A J Slade	Capital Manager	222,160	51,500	-	273,660	30,000	3,980	-	51,500	359,140	28.7%	14.3%
M J Clarke [2]	Company Secretary and Finance Manager	188,465	20,000	-	208,465	17,485	3,088	-	20,000	249,038	16.1%	8.0%
D J Shipway	Asset Manager	178,967	7,500	-	186,467	17,040	3,060	-	7,500	214,067	7.0%	3.5%
		1,679,142	182,000	-	1,861,142	135,558	17,438	-	182,000	2,196,138		

1. Helen Wright resigned as a director on 27 October 2015
2. Brendan Howell resigned as Company Secretary on 30 June 2016 and Michael Clarke was appointed Company Secretary on 30 June 2016

Table 2 Remuneration details 1 July 2014 to 30 June 2015

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

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

3. John Henderson resigned as a director on 6 November 2014

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 $51,535 (2015: $54,544) 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 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 2016 $	30 June 2015 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the *Corporations Act 2001*		
- in relation to current year	171,500	160,000
- in relation to prior year	12,500	5,000
Total remuneration for audit services	**184,000**	**165,000**
Other services		
KPMG Australian firm:		
Financial reporting and risk assurance services	18,259	-
Total other services	**18,259**	**-**
Total remuneration	**202,259**	**165,000**

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 four properties, ongoing testing and monitoring is being undertaken and minor remediation work is required, however, in most cases ALE is indemnified by third parties against any remediation amounts likely to be required. ALE does not expect to incur any material environmental liabilities.

15 Auditor's independence declaration

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

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

Peter H Warne
Chairman

Andrew Wilkinson
Managing Director

Dated this 4th day of August 2016

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Teer
Partner

Sydney

4 August 2016

FINANCIAL STATEMENTS

Notes to the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2016

	Note	2016 $	2015 $
Revenue			
Expense reimbursement	2.1	4,108,938	4,013,868
Interest income	2.1	23,795	12,664
Total revenue		**4,132,733**	4,026,532
Expenses			
Salaries and related costs	2.2	2,479,253	2,508,417
Other expenses	2.2	1,811,685	1,565,452
Total expenses		**4,290,938**	4,073,869
Profit / (Loss) before income tax		**(158,205)**	(47,337)
Income tax expense/(benefit)	2.3	7,763	(74,675)
Profit / (Loss) after income tax		**(165,968)**	27,338
Profit / (Loss) attributable to stapled securityholders of ALE		**(165,968)**	27,338
		Cents	**Cents**
Basic and diluted earnings per stapled security		(0.08)	0.01

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 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	3.1	2,278,988	2,519,881
Receivables	3.2	2,957,796	3,316,234
Other		214,629	218,461
Total current assets		**5,451,413**	6,054,576
Non-current assets			
Plant and equipment		35,994	17,582
Investment in related party	3.3	9,080,010	9,080,010
Deferred tax asset	2.3(b)	48,901	47,873
Total non-current assets		**9,164,905**	9,145,465
Total assets		**14,616,318**	15,200,041
Current liabilities			
Payables	3.4	206,121	590,962
Employee benefits	4.1	169,203	145,203
Total current liabilities		**375,324**	736,165
Total liabilities		**375,324**	736,165
Net assets		**14,240,994**	14,463,876
Equity			
Contributed equity	3.5	14,767,075	14,759,025
Reserve		806,804	735,054
Accumulated losses		(1,332,885)	(1,030,203)
Total equity		**14,240,994**	14,463,876
		$	$
Net assets per stapled security		**$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 2016

	Note	Share Capital $	Share based payments reserve $	Retained Earnings $	Total $
2016					
Total equity at the beginning of the year		**14,759,025**	**735,054**	**(1,030,203)**	**14,463,876**
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	(165,968)	(165,968)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(165,968)	(165,968)
Transactions with Members of ALE recognised directly in Equity:					
Shares issued - Executive Stapled Security Scheme		8,050	(110,250)	(136,714)	(238,914)
Employee share based payments expense			182,000		182,000
Total equity at the end of the year		**14,767,075**	**806,804**	**(1,332,885)**	**14,240,994**

	Note	Share Capital $	Share based payments reserve $	Retained Earnings $	Total $
2015					
Total equity at the beginning of the year		14,759,025	604,417	(986,904)	14,376,538
Total comprehensive income for the period					
Profit/(Loss) for the year		-	-	27,338	27,338
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	27,338	27,338
Transactions with Members of ALE recognised directly in Equity:					
Purchase of securities to satisfy units required for Executive Performance Rights Plan		-	(59,363)	(70,637)	(130,000)
Employee share based payments expense		-	190,000	-	190,000
Total equity at the end of the year		14,759,025	735,054	(1,030,203)	14,463,876

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 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Management fee received and expense reimbursements		5,986,596	5,686,428
Payments to suppliers and employees		(6,273,551)	(5,656,752)
Interest received - bank deposits and investment arrangements		80,506	98,822
Net cash inflow from operating activities		**(206,449)**	**128,498**
Cash flows from investing activities			
Payments for plant and equipment		(34,444)	-
Net cash inflow from investing activities		**(34,444)**	**-**
Cash flows from financing activities			
Shares issued		-	-
Net cash inflow / (outflow) from financing activities		**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**(240,893)**	**128,498**
Cash and cash equivalents at the beginning of the year		2,519,881	2,391,383
Cash and cash equivalents at the end of the year		**2,278,988**	**2,519,881**

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

	2016 $	2015 $
Profit for the year	(165,968)	27,338
Plus/(less):		
Depreciation	16,032	13,257
Non-cash employee benefits expense - share based payments	182,000	190,000
Share based payment securities purchased	-	(130,000)
(Increase)/decrease in receivables	38,221	(111,403)
(Increase)/decrease in other assets	3,832	30,363
(Increase)/decrease in deferred tax asset	(1,028)	(6,496)
(Increase)/decrease in loan from related party	81,303	41,627
Increase/(decrease) in provisions	24,000	18,825
Increase/(decrease) in payables	(384,841)	54,987
Net cash inflow from operating activities	**(206,449)**	128,498

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

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 Stock Exchange under the code LEP and comprise one unit in Australian Leisure and Entertainment Property Trust and one share in the Company. The unit and the share are stapled together under the terms of their respective constitutions and can not be traded separately. Each entity forming part of ALE is a separate legal entity in its own right under the Corporations Act 2001 and Australian Accounting Standards. The 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 3rd August 2016.

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.

Accounting estimates and judgements	Note
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 under lying transactions or other events is reported. Other significant accounting policies are contained in the notes to the financial statements to which they relate to.

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

	2016 $	2015 $
Revenue		
Expense reimbursement	4,108,938	4,013,868
Interest from cash deposits	23,795	12,664
Total revenue	**4,132,733**	4,026,532

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 $5,986,596 (2015: $5,686,428) 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 2016 the weighted average interest rate earned on cash was 2.84% (2015: 2.64%)

2.2 Other expenses

	2016 $	2015 $
Annual Report and Review	104,500	96,358
Audit, accounting, tax and professional fees	205,750	193,300
Depreciation expense	16,032	13,257
Insurance	167,277	177,910
Legal fees	122,216	217,988
Occupancy costs	115,091	123,902
Corporate and property expenses	846,650	480,830
Registry fees	100,207	125,705
Salaries and related costs	2,479,253	2,508,417
Staff training	31,554	22,532
Travel and accommodation	102,408	113,670
Total other expenses	4,290,938	4,073,869

Recognition and measurement

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

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:

	2016 $	2015 $
Loss before income tax expense subject to tax	(158,205)	(47,337)
Tax at the Australian tax rate	(47,462)	(14,201)
Share based payments	54,600	18,000
Other	1,306	70
Under/(over) provision in prior years	(681)	(78,544)
Income tax expense/(benefit)	**7,763**	**(74,675)**
Current tax expense/(benefit)	8,791	(68,179)
Deferred tax expense/(benefit)	(1,028)	(6,496)
Income tax expense/(benefit)	**7,763**	**(74,675)**

(b) Deferred tax assets

	2016 $	2015 $
Deferred tax assets	**48,901**	47,873
The balance is attributable to:		
Employee benefits	51,008	43,903
Accruals	-	-
Other	(2,107)	5,550
Tax losses	-	(1,580)
Net deferred tax assets	**48,901**	**47,873**
Movements:		
Opening balance	47,873	41,377
Credited/(charged) to the income statement	1,028	6,496
Credited/(charged) to equity	-	-
Closing balance	48,901	47,873
Deferred tax assets to be recovered within 12 months	48,901	47,873
Deferred tax assets to be recovered after more than 12 months	-	-
	48,901	47,873

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.

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.

	2016	2015
Profit/(Loss) attributable to members of the company	(165,968)	27,338
Weighted average number of share	195,759,597	195,702,333
Basic earnings per share (cents)	(0.08)	0.01

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

	2016	2015
Profit/(Loss) attributable to members of the Company	(165,968)	27,338
Weighted average number of shares	195,999,370	195,947,573
Diluted earnings per share (cents)	(0.08)	0.01

2.5 Remuneration of auditors

	2016 $	2015 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports		
- in relation to current year	171,500	160,000
- in relation to prior year	12,500	5,000
Total remuneration for audit services	184,000	165,000
KPMG Australian firm:		
Other services	18,259	-
Total remuneration for all services	202,259	165,000

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

	2016 $	2015 $
Cash at bank	205,715	430,461
Deposits at call	2,073,273	2,089,420
	2,278,988	2,519,881

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

	2016 $	2015 $
Accounts receivable	59,814	77,366
Loan to related party	2,845,208	3,165,425
Other receivable	46,695	68,179
Interest receivable	6,079	5,264
	2,957,796	3,316,234

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.

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

3.3 Investment in related party

	2016 $	2015 $
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.

3.4 Payables

	2016 $	2015 $
Trade creditors	83,474	431,734
Creditor accruals	122,647	159,228
	206,121	590,962

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.

3. Assets, liabilities and equity

3.5 Equity

	2016 $	2015 $
Balance at the beginning of the period	14,759,025	14,759,025
Securities issued - ESSS	8,050	-
	14,767,075	14,759,025

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	195,702,333	195,702,333
Securities issued - ESSS	66,747	-
Closing balance	195,769,080	195,702,333

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.

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

	2016 $	2015 $
Employee benefits provision:		
Current	169,203	145,203

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.

4.2 Key management personnel compensation

	2016 $	2015 $
Short term employee benefits	1,861,142	1,839,888
Post employment benefits	135,558	130,179
Other long term benefits	17,438	15,965
Share based payments	182,000	190,000
Termination benefits	-	-
	2,196,138	**2,176,032**

Recognition and measurement

Wages and salaries, annual leave and sick leave

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

Bonus and incentive plans

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

Long service leave

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

Retirement benefit obligations

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

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.

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 New accounting standards

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 17 Leasing

IFRS 17 establishes a comprehensive framework the accounting policies and disclosures applicable to leases, both for lessees and lessors. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

5.2 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.*

5.3 Events occurring after balance date

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

5.4 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. Other

5.5 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:

	2016 $	2015 $
Less than one year	106,137	45,695
Later than one year but not later than five years	393,877	-
Later than five years	-	-
	500,014	**45,695**

5.6 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 2016 the Company had charged the Trust $4,108,938 in expense reimbursement (2015: $4,013,868).

Peter Warne is Chairman of Macquarie Group Limited ("Macquarie"). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services and corporate advice provided by Macquarie to ALE.

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.

5.7 Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

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

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

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

Credit risk

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

5.7 Financial risk management (continued)

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.

	2016 $	2015 $
Receivables	112,588	150,809
Cash and cash equivalents	2,278,988	2,519,881
	2,391,576	2,670,690

Impairment losses

	2016 $ Gross	2016 $ Impairment
Not past due	97,785	-
Past due 0-30 days	-	-
Past due 31-120 days	5,196	-
Past due 120-365 days	9,607	-
More than one year	-	-
	112,588	-

	2015 $ Gross	2015 $ Impairment
Not past due	125,067	-
Past due 0-30 days	-	-
Past due 31-120 days	7,092	-
Past due 120-365 days	18,650	-
More than one year	-	-
	150,809	-

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 2016

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 2016 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 2016.

(d) The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Peter H Warne
Chairman

Andrew Wilkinson
Managing Director

Dated this 4th Day of August 2016

Independent auditor's report to the members of Australian Leisure and Entertainment Property Management Limited

Report on the financial report

We have audited the accompanying financial report of Australian Leisure and Entertainment Property Management Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 5 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Australian Leisure and Entertainment Property Management Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 9 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

John Teer
Partner

Sydney

4 August 2016

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Located opposite Melbourne's Flinders Street Station, Federation Square and St Paul's Cathedral, the Young & Jackson Hotel has been operating for more than 150 years on one of Melbourne's most prominent CBD intersections.

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