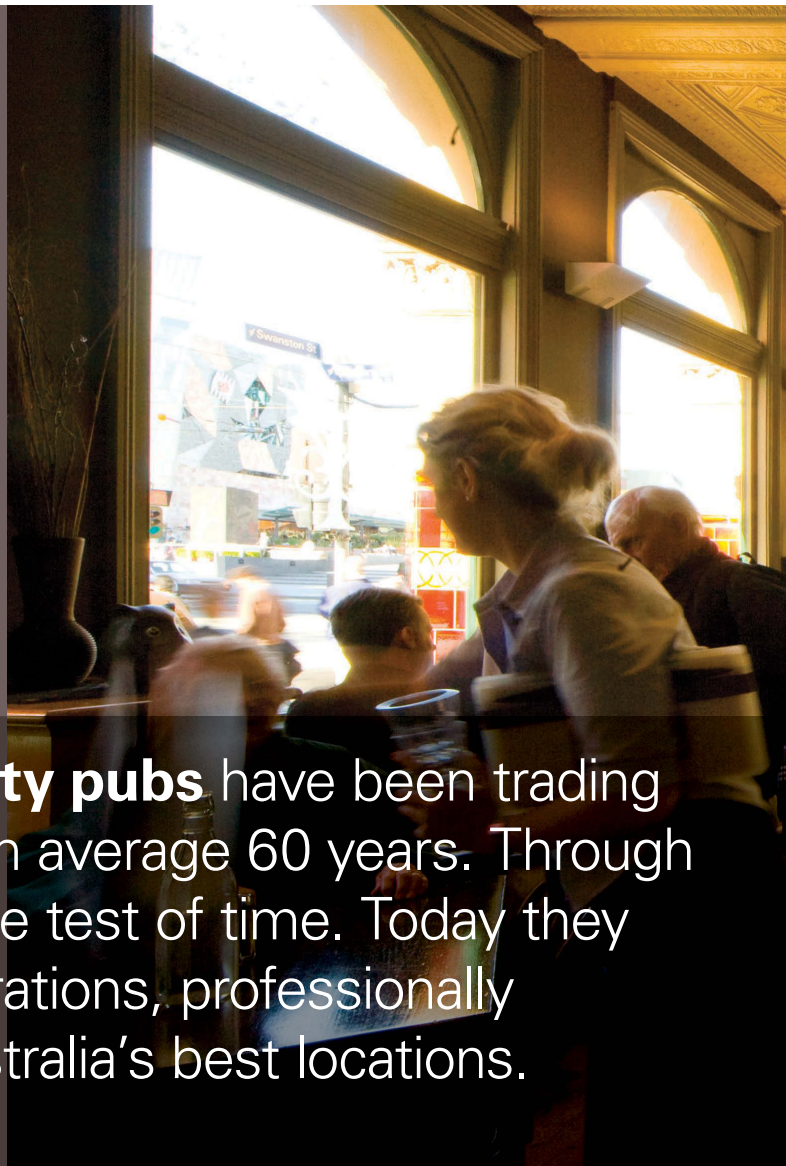




another round
of solid, low risk results

Front cover and right

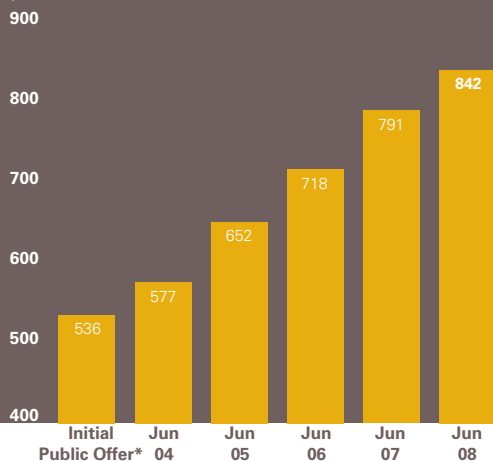
Young & Jackson Hotel, Cnr Swanston and Flinders Street, Melbourne, is one of Australia's most famous pubs. It was first opened in 1861 as the Princes Bridge Hotel. In 1875 two successful Irish diggers became the licensees – Henry Young and Thomas Jackson.



ALE's Portfolio of 105 quality pubs have been trading in their current locations for an average 60 years. Through the cycles they have stood the test of time. Today they continue to be profitable operations, professionally managed and in some of Australia's best locations.

GROWTH IN PROPERTY ASSETS

\$ million



The values of ALE's properties have increased each year since ALE listed, up from \$568.6 million in 2003 to \$842.4 million in 2008.

* November 2003.

qu

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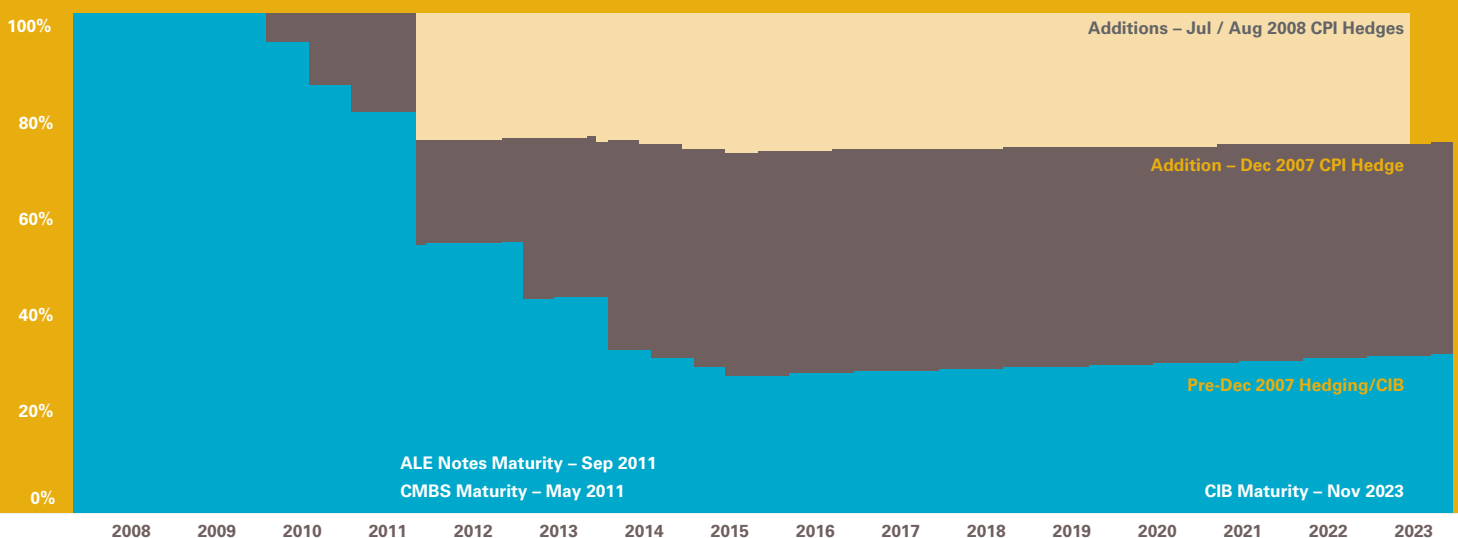
Today **Young & Jackson** remains the home of the famous Chloe. After 100 years, the National Trust and Heritage Victoria decreed in 1988 that they remain bound together forever.

ality

patie

Our strategy has been to add value at the right time. We have waited patiently for the right opportunity to refinance and hedge interest rates. We have also waited patiently for the excessive optimism to come out of the property markets.

ALE'S HEDGING AND DEBT MATURITY POSITION AS AT AUGUST 2008



ALE was the first REIT in Australia to transact a CPI Hedge. ALE had a significant piece of hedging in place at November 2007 of around seven years. This included an award-winning fixed rate capital indexed bond maturing in 2023.

ALE has now extended its hedging for a term of up to 15 years. This extension of hedging has significantly reduced both future distribution volatility and risk for ALE's security holders. **ALE now has 100% of its debt hedged for up to 15 years.**

CPI – Consumer Price Index
CIB – Capital Index Bonds
CMBS – Commercial Mortgage Backed Securities
REIT – Real Estate Investment Trust

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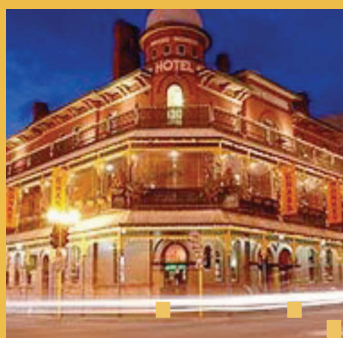
Pritchards Hotel,
Sydney, NSW



Boundary Hotel,
Melbourne, VIC



The Brass Monkey Hotel,
Perth, WA



Balmoral Hotel,
Perth, WA



acquisitions

ALE has acquired around \$50 million of additional property over the past year at prices that have added value for ALE's security holders.

The Brass Monkey Hotel and **Balmoral Hotel** bolster our holdings in the vibrant Perth market, while the well located **Boundary Hotel** in suburban Melbourne adds to our considerable presence in that city. The other acquisition during the year, **Pritchards Hotel** in Western Sydney, comprises a significant land holding and future development opportunity.

New Brighton Hotel, Manly, NSW has operated as a pub since 1880. Located on the Corso pedestrian mall, it is just metres from the world famous Manly Beach.



ALE has used CPI Hedging to match the CPI indexed lease asset for the next 15 years while also reducing the 2009 net cash interest rate to 3.10% p.a. **This adds significant value for ALE's security holders.**

ALE has now matched the minimum remaining term of 20 years inflation indexed rental income with an inflation indexed interest expense for up to 15 years.

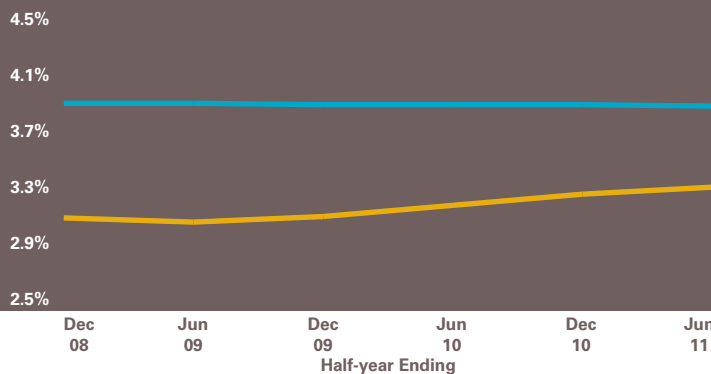
The reduction in net cash interest payments significantly increases free cash flow available for distribution. The increase in free cash flow and the reduction in potential volatility adds value.



Value

CASH INTEREST RATE (FIXED)

Rate (p.a.)



ALE's inflation indexed debt balances are expected to increase over time in line with the inflation indexed rentals and property values.

— Interest rate excluding counter interest rate swap benefits
— All up cash interest rate

The newly renovated stylish bars and restaurants are a feature of
The Stamford Inn, Rowville, VIC

Right

1. Ramsgate Hotel, SA
2. Breakfast Creek Hotel, QLD
3. New Brighton Hotel, NSW

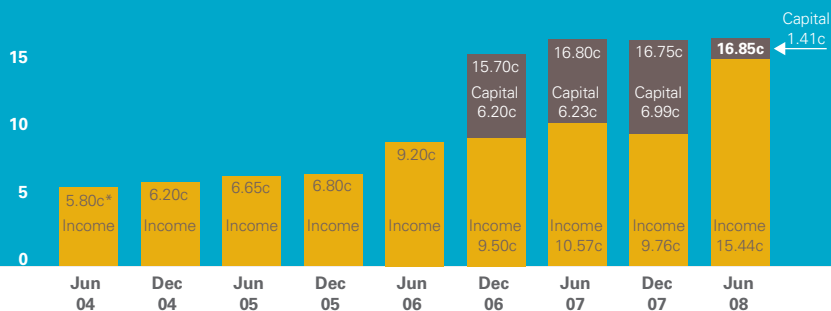
Our strong focus on both capital and risk management has seen ALE take opportunities to reduce risk and add value. The on-market buybacks of ALE's stapled securities and ALE Notes are just two examples of that focus in action.

oppo

CAPITAL MANAGEMENT – DISTRIBUTION GROWTH

Cents per Stapled Security

20

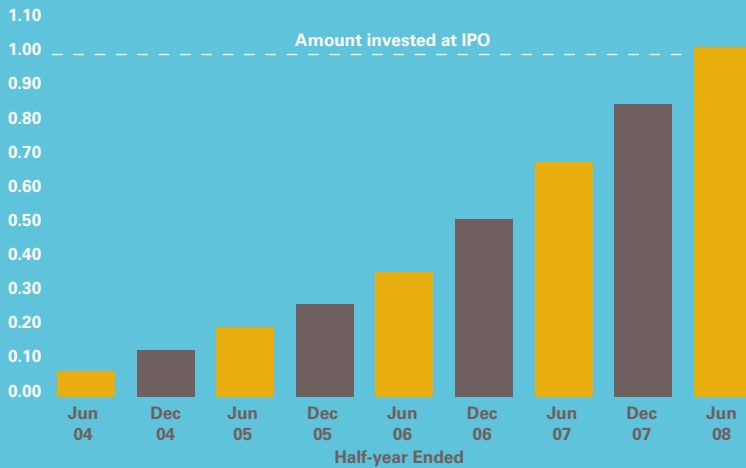


Going forward ALE has decided to adopt a policy of setting distributions at a level that does not exceed the free cash flow available. On that basis there is no anticipated requirement to draw down additional debt to finance any part of future distributions.

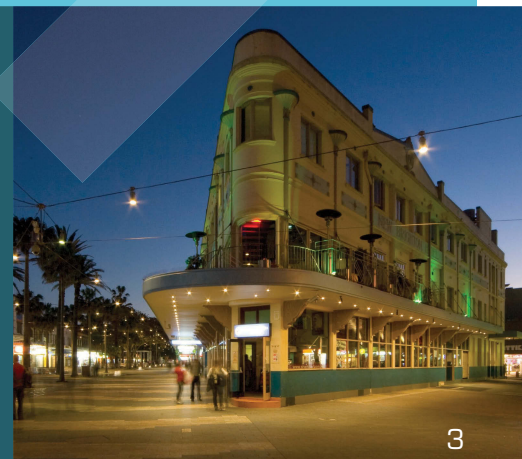
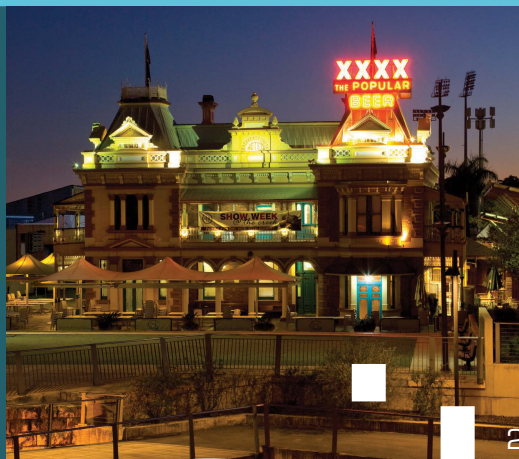
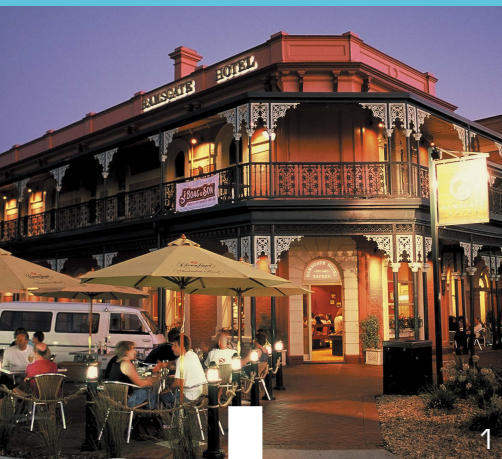
* Pro-rata based on Jun 2004 distribution of 7.50c from Initial Public Offering (IPO) (Nov 2003) to Jun 2004.

CUMULATIVE DISTRIBUTION PAYMENTS

\$ per Stapled Security



Over the four years and nine months to August 2008, ALE has paid distributions of around \$1.02 compared to an initial IPO investment of \$1.00. Over and above this return on initial investment, investors continue to hold a security currently trading at around \$3.00. Accordingly, the accumulated total value of investment (ignoring return on reinvested distributions) is around \$4.02.



rtunity

ALE remained Australia's best performing real estate investment trust for the three years ended 30 June 2008.

Over this period, ALE provided its security holders with an annual compound total return (including distributions plus security price movements) of 21.8%. This may be compared with the S&P/ASX 300 Property Accumulation Index total annual return over the same period of -2.5%.

ALE has delivered a solid result and exceeded distribution guidance in a difficult market.

The Board is pleased with the risk and capital management initiatives taken during the year.

- > Half-year distribution of 16.85 cps is in line with previous guidance of at least 16.75 cps.
- > Full-year distribution of 33.60 cps is 3.38% higher than the distribution for the previous corresponding period.
- > Distribution for the 12 months is 100% tax deferred.
- > Revaluation of property assets to \$842.4 million.

Dear Investor,
On behalf of your Board, it is my pleasure to report to you on ALE Property Group's performance for the period ended 30 June 2008.

The market

You will be aware that ALE now operates in a commercial property and capital market that is significantly more challenging than that which prevailed during most of FY07. Overall investor demand for commercial property has reduced in all major global markets and Australia is not immune from these international trends. Significant volatility in equity markets accompanied by a materially increased cost and reduced availability of funding has seen a dramatically reduced level of liquidity for both property and capital market transactions.

Despite this, we have noted that to date the demand and pricing for smaller high quality Australian commercial properties remains reasonably strong. At the same time, as we expected, the secondary commercial property market, including pubs, is likely to continue to reprice to levels that reflect the risks that have always been present.

ALE's business growth strategy

ALE's business growth strategy remains in place and we are in a competitively strong position within the property trust sector.

Board and management are focused on:

- maintaining the security and growth of distributions to our investors
- managing our costs at levels lower than our peers
- managing our capital structure in a way that protects against risk and adds value for both the current and future generations of ALE security holders
- undertaking quality acquisitions at prices and with funding that locks in long term value accretion
- adopting and executing best practice in all compliance and regulatory matters.

In light of current market circumstances, ALE undertook the following actions during the past year:

- debt maturities were extended, with the earliest now falling due in May 2011.

- hedging was significantly extended to reduce distribution volatility.
- unused liquidity levels were maintained.
- funding was diversified away from CMBS markets to funding with banks.
- four value accretive acquisitions were completed, with a focus on high quality and low risk properties. We declined to invest in other available properties at the top of the property cycle.
- the Parkway Hotel was sold at a price that delivered an appropriate and significant premium to current book value.
- a buyback of stapled securities was completed.
- a buyback of ALE Notes was established for implementation.
- in response to investor demand, a flexible distribution reinvestment plan was implemented to provide a convenient and efficient reinvestment mechanism.

Financial results

Despite ongoing market challenges, ALE delivered a financial result for the year ended 30 June 2008 matching our own and market expectations. The high quality of ALE's properties and lease arrangements ensured that our valuations substantially held their previous position. Consistent with the earnings guidance provided by the Board, ALE's total distributions per security increased by 3.38% to 33.60 cents per security, a growth rate in line with the CPI increase in FY08.

General commentary and outlook

Hitherto, ALE has had a transparent distribution policy of paying half-yearly ongoing capital distributions of at least 50% of CPI indexed net rent-related revaluations. These payments were funded from debt draw downs. Going forward, ALE has decided to adapt the policy to one of setting distributions at a level that does not exceed the free cash flow available for distribution. On that basis there is no anticipated requirement to draw down any debt to finance any part of future distributions.

ALE is already considering a range of options in respect of its scheduled debt maturities in 2011. The chosen approach is expected to be implemented well in advance of the maturity dates.

While it is a matter of record that ALE's stapled security price has reduced over the past year, it is reassuring that the market is pricing the securities at close to ALE's current net asset backing. In the Board's view, this market perception shows that investors recognise the long term nature of the property leases, the strength and security of ALE's tenant and the resulting certainty of ALE's cash flow.

In terms of future profitable acquisitions, ALE considers that the current high cost of debt and equity funding is not been fully reflected by reduced price expectations. Until the cost and availability of funding returns to levels closer to historical norms and/or property prices move down to reflect the current cost of funding, it is expected that any significant acquisitions will continue to be difficult to achieve.

ALE also notes that Woolworths Limited acquired a 19.9% holding in ALE on 12 May 2008. ALE welcomes Woolworths to the register and looks forward to its continuing support.

Thanks to employees

I would like to express my gratitude to Managing Director Andrew Wilkinson and his team for their continued excellent performance this year and also to my fellow Directors for their ongoing commitment to ALE's success. In particular, the management team's innovative and market leading initiatives in hedging and capital management during the year have locked in substantial long term benefits and a reduced risk profile for security holders.

As and when the property and capital market returns to some stability, the Board is confident that the discipline and innovation applied during FY08 will position ALE well to participate profitably in the market for quality properties.

Corporate governance

To ensure that we abide by market best practice, the Board has again reviewed the effectiveness of the corporate governance functions. The external review of both the Board's performance and that of the Audit, Compliance and Risk Management Committee confirmed that each is working effectively with appropriate protocols in place. A few procedural recommendations of a minor nature have now been adopted.

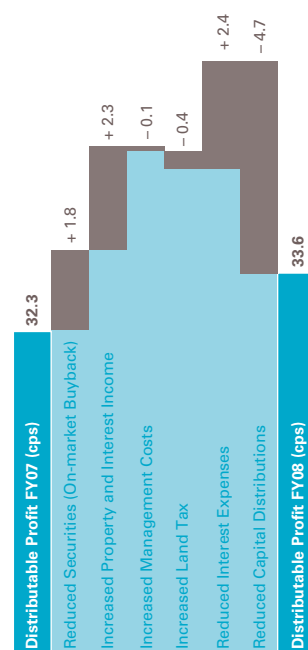
This year's Annual General Meeting (AGM) will be held on 12 November 2008 in Sydney. A Notice of Meeting with all the necessary information will be sent to stapled security holders in advance of the meeting.

Once again, thank you for your continued support of ALE.



Peter Warne
Chairman

ALE has delivered another round of solid results and significantly addressed the financial risks prevalent in today's difficult property and capital markets. It is expected that future distributions will not exceed free cash flow.



**DISTRIBUTABLE PROFIT
COMPARED TO FY07 (CPS)**

ALE's property values and distributions have grown since it first listed five years ago. ALE has now paid distributions that more than fully recover the initial \$1.00 investment.

	FY04	FY05	FY06	FY07	FY08	CHANGE
Distributable profit ¹	\$8.0m	\$11.7m	\$14.6m	\$29.4m	\$28.9m	\$(0.5m)
Number of securities	90.8m	90.8m	90.8m	91.1m	85.8m	(5.3m)
Distribution per security	7.50¢	12.85¢	16.00¢	32.50¢	33.60¢	1.10¢
Property values ²	\$576.7m	\$651.5m	\$717.6m	\$791.2m	\$842.4m	\$51.2m
Gearing ³	80%	72%	68%	63%	69%	6%
Net assets per security ²	\$1.41	\$2.17	\$2.64	\$3.37	\$3.08	\$(0.29)

1. Distributable profit adds back non-cash accounting items which are not distributable.

2. Based on 103 completed property values and three development properties at cost.

3. Total accounting liabilities as a % of total accounting assets.

NOVEMBER 2003 LISTING TO AUGUST 2008 HIGHLIGHTS

Growth in market capitalisation	\$90.8m to \$257.4m (at price of \$3.00)
Distributions paid	\$1.02 (compared to \$1.00 IPO investment)
Total security holder return (three years to Jun 08)	21.8% p.a. (compared to S&P/ASX LPT 300 of -2.5% p.a.)

MAJOR AUSTRALIAN SECURITIES EXCHANGE (ASX) ANNOUNCEMENTS

See www.alegroup.com.au/irm/content/reports_asx.html

2008

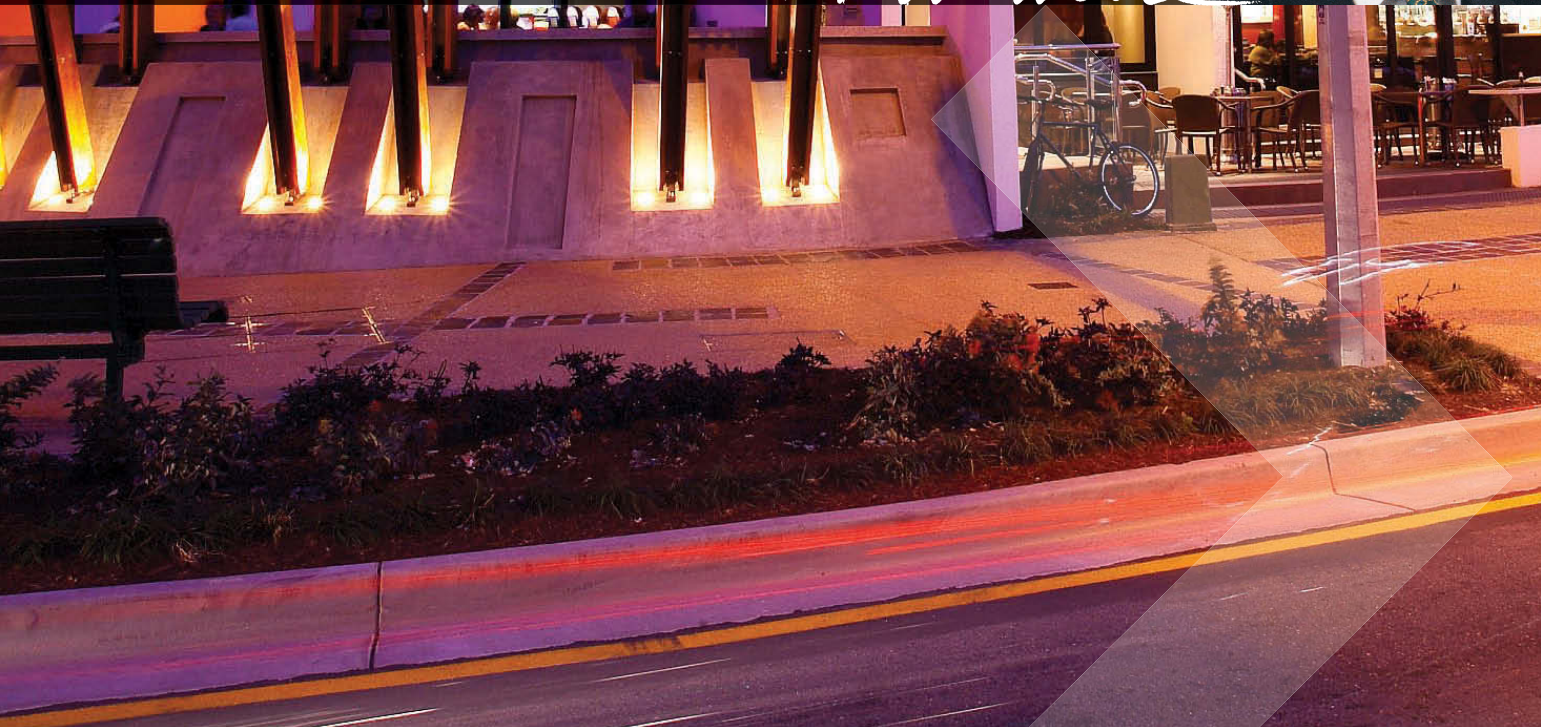
11 August	ALE granted waiver by ASX for ALE Notes buyback
1 August	ALE adds to CPI Hedging
9 July	ALE adds to CPI Hedging
30 June	ALE acquires Boundary Hotel, Melbourne
24 June	On-market buyback of ALE Notes
20 June	FY08 distribution declaration Property valuations at 30 June 2008
4 June	ALE introduces flexible Distribution Reinvestment Plan
12 May	Woolworths acquires 19.9% strategic holding in ALE
25 Feb	Vale Hotel, Victoria
20 Feb	December half-year results

2007

7 December	Interim distribution declaration
7 December	CPI Hedge
5 December	Property valuations at 31 December 2007
13 November	Annual General Meeting
17 October	ALE acquires hotels in Perth and Sydney
1 September	ALE taps CMBS facility

In what has been the most difficult market since our listing in 2003, ALE has delivered a distributable profit result consistent with the Board's guidance. The outlook for future distributable profit is expected to be positive in light of a number of additional risk management measures undertaken during the year.

Andrew Wilkinson, Managing Director



Burleigh Heads Hotel, QLD

I am delighted to report to you for the fifth successive year a very pleasing result for ALE. A solid distributable profit outcome, an enhanced risk management position, a sustainable liquidity position and growing distribution outlook have all been achieved.

Distributable profit \$28.9 million (up by 4.1%)

ALE will pay total distributions of \$28.9 million, or 33.60 cents per stapled security. After the impact of a buyback of 5.8% of the securities, this is 4.1% higher than the total distributable profit per security for 2007.

Major contributors to the distributable profit result include:

Income

Property income \$52.2 million (up by \$2.3 million)

- ALE's total income from its properties rose by \$2.3 million or 4.6% during the year, driven by an average increase in CPI across the portfolio of 2.1% and the impacts of new rental income from a small number of acquisitions.

Interest Income \$1.1 million (down by \$0.3 million)

- ALE holds cash on deposit in order to provide security for its senior debt facilities and provide liquidity for its ongoing operations.
- ALE efficiently utilised excess cash balances for acquisitions and capital management while achieving higher short term interest rates on appropriate liquidity balances during the year.

Expenses

Cash interest expense \$27.1 million (down by \$2.1 million)

- The reduction in cash interest expenses comprised:
 - CPI Hedging transacted in December 2007 that reduced net cash interest expenses on existing borrowings by \$5.7 million
 - additional borrowings for acquisitions and capital management activities that increased net cash interest expenses by \$3.6 million.

Land tax \$1.6 million (up by \$0.3 million)

- ALE pays land tax in Queensland only. The large increase in land tax this year was due to another revaluation of the Queensland portfolio by the State Government. Land tax in respect of all other states is paid by the tenant, Australian Leisure and Hospitality Group Limited (ALH).

Management expenses \$2.9 million (up by \$0.1 million)

- ALE was able to reduce expenses across a range of management items.
- Increases in Directors' and company secretary fees of \$90,000 related to the first increase since ALE's listing nearly five years ago.
- Substantial reductions in acquisition expenses were achieved.
- ALE's internal management structure enabled its management expense ratio (MER) to remain one of the lowest MERs in the Real Estate Investment Trust (REIT) sector. This preserves significant value for security holders compared to the fee structures adopted by externally managed trusts.

Fair value adjustments identified for distribution (down \$4.1 million)

- The distribution of identified fair value adjustments arising from CPI based rental related revaluations contributed \$7.2 million to ALE's ongoing capital distributions for the year. See further details below on ALE's revised distribution policy.

Stapled security buyback

- ALE acquired 5.286 million stapled securities through an on-market buyback. The number of securities reduced by 5.8% to 85.813 million securities. While headline distributable profit declined by 1.7%, after the impact of the buyback, the distributable profit per security increased by 4.1%.

Net accounting profit

Net profit for ALE includes a number of non-cash items and in particular the revaluations of all of ALE's freehold properties during the year. Including these non-cash items, ALE's net profit before tax for the year was \$8.7 million. This profit may be reconciled to the distributable profit of \$28.9 million by adjusting for non-cash items of \$20.2 million. These include taxation timing differences, revaluations, distributable property fair value gains, non-cash interest expenses and a range of minor items.

Property valuations

DTZ independently revalued 36 of ALE's properties during the year. Based on advice from DTZ, the Directors revalued the balance of the properties on a state by state comparative basis. The 103 completed properties were valued at \$820.3 million and the average completed property capitalisation rate moved from 6.07% to 6.20%. The remaining three development properties are valued at their November 2003 cost, totalling \$22.1 million. The above valuation results exclude a number of post balance date transactions listed below.


It should be noted that over the last two months the long term bank interest rates have fallen by around 1% and the CPI for the year to June 2008 has risen by 4.6%.

Risk management actions

ALE continues to enjoy the strong rental covenant provided by ALH, a company ultimately 75% owned by Woolworths Limited. The lease terms are triple net and have an average unexpired lease term of around 20 years plus four options of 10 years each.

In May 2006, ALE issued an award-winning AAA-rated capital indexed bond (CIB) for \$125 million maturing in 2023. This was designed to partly match ALE's long term inflation indexed assets (leases) with long dated inflation indexed liabilities. It was the first debt issue of its type by an Australian REIT.

Since that time ALE has explored a range of mechanisms to add to the asset/liability matching initiative. Between December 2007 and August 2008, ALE entered into long term CPI Hedges totalling \$450 million, which provided the further matching sought for up to 15 years to 2023.



Management spent more than 12 months structuring and then seeking the best solution to creating a long term interest rate hedging arrangement for ALE.

Under the CPI Hedges, ALE receives interest at floating bank bill rates (currently around 7.50% p.a.) and then pays interest at fixed real rates (set at a fixed rate for up to 15 years). The average base interest rate for the CIB and CPI Hedges is now fixed at 3.55% p.a. The balance on which the fixed real rate payments are made grows annually by increases in the CPI. Additionally, traditional hedging that was previously put in place is no longer required and the break benefit currently available has now been effectively set and is expected to be distributed to security holders progressively until May 2015.

After all the above transactions, the estimated FY09 net cash interest rate, including credit margins, is 3.10% p.a.

The reduced net cash interest expenses and the progressive unwinding of the previously arranged hedging are expected to provide ALE with even more certainty around the funding and growth of future distributions. From FY08, lower net cash interest payments will be generated, increasing the net cash flow available for higher ongoing distributions, acquisitions and/or other capital management activities.

The credit margins currently payable on the existing debt remain applicable until May 2011 and on the existing CIB until 2023, at which point they will reset to lower or higher margins available at that time. ALE's current margins are well below those currently available in the capital markets.


Risk management position

ALE has reduced its gearing level over the past five years from 88% to 69.8%. A high quality tenant, long term cash flow and significant risk management measures deliver unparalleled benefits to ALE. While other listed REITs are currently reducing loan to value ratios (LVRs), ALE considers its current financial position to be appropriate and sustainable.

As at 19 August 2008, ALE's risk position may be summarised as follows:

Average unexpired lease term	20+ years
Average all up FY09 cash debt rate	3.10% p.a.
Gearing	69.8% (reduced from 88% at IPO)
Total interest cover	1.8 times
Weighted average debt maturity	5.7 years
Weighted average interest hedging term	15.1 years (100% for 14.9 years)
Senior LVR covenant headroom	15% decrease in property value
Total LVR covenant headroom	25% decrease in property value
Interest cover ratio (ICR) covenant headroom	70% reduction in ALH earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)
ICR covenant headroom	30% reduction in rental income

In other words, the current average capitalisation rate on the properties could rise by around 1.2% before the LVR would reach the senior covenant level. All debt covenants remain under constant review.



ALE has paid 100% tax deferred distributions since its listing. This is expected to continue until at least 2010.

Also differentiating it from many other REITs is the fact that ALE is not directly exposed in the near term to changes in the following property and economic parameters:

- property development outlook
- property sales income or lease renewals
- maintenance capital expenditure
- property funds management revenues
- nominal and real interest rates
- residential property prices
- pub turnover or profitability
- land tax values (in States other than QLD)
- foreign exchange rates
- property values in other countries
- availability of debt drawings to fund future distributions.

Capital management

ALE continually evaluates and undertakes capital management initiatives with the aim of adding value for ALE's stapled security holders. These include:

On-market stapled security buyback

In May 2007, ALE began an on-market buyback of up to 10% of ALE's stapled securities. In January 2008, after considering other opportunities that may become available in the property acquisition market in the short to medium term, the Board of ALE restricted the buyback to around 5.8% of the securities. The buyback, completed in the first half of FY08, was funded from surplus cash balances and a small increase in borrowings at low long term fixed interest rates. At all times, the buyback was and continues to be accretive. In hindsight conducting the buyback at security prices that have prevailed in the second half of FY08 would have provided an outcome that was even more accretive.

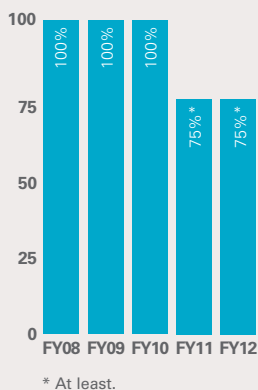
On-market ALE Notes buyback

On 24 June 2008, ALE announced the on-market buyback of its subordinated unsecured ALE Notes that are scheduled to mature in September 2011. ALE originally issued the \$150 million of ALE Notes in November 2003 at a fixed rate of 7.265%. The ultimate volume of ALE Notes to be acquired under the buyback will be dependent upon the levels of market pricing and availability of the Notes in the market. To the extent that ALE Notes are acquired for less than their redemption price of \$102.50, ALE's stapled security holders may benefit in terms of a reduction in interest expenses, liabilities and the resultant LVRs. Additionally, net assets per security may increase by virtue of any reduction in liabilities. The ALE Notes have recently traded at \$83.00.

Distribution reinvestment plan

On 3 June 2008, the Board of ALE introduced a DRP in respect of its stapled securities. ALE introduced this facility in response to requests from ALE's investors to have a convenient and efficient means of increasing their investment in ALE.

TAX DEFERRED DISTRIBUTION EXPECTATIONS (%)



The DRP price is initially set at a 2.25% discount to the daily volume weighted average market price. The DRP may be supplied by on-market acquisition of existing securities and/or the issue of new securities. Participation in the DRP was first made available to security holders for the half-year ended 30 June 2008. Holders of a total of around 16.4% of the securities on issue elected to participate. Around \$2.36 million was raised and these proceeds were allocated to partly fund the acquisition of the Boundary Hotel in Melbourne.

In the absence of further property acquisitions or other capital management initiatives, ALE intends to satisfy the supply of securities for the DRP in future periods from the on-market purchase of securities.

Acquisitions and disposals

During FY08, ALE selectively reviewed property acquisition opportunities that were consistent with the Group's investment criteria.

Acquisitions and disposals completed over the past 12 months have added value. In particular, the acquisition in June 2008 of the Boundary Hotel in Melbourne for \$17.9 million (inclusive of costs and stamp duty) compared favourably with the 30 June 2008 valuation of \$19.2 million. This valuation uplift was achieved after renegotiating the existing lease arrangements with ALH and extending the lease term from three years to more than 20 years.

While ALE is well positioned to make value accretive acquisitions, transactions of any significant volume will be dependent upon the availability and pricing of additional funding. Management and the Board will continue to be patient and disciplined to ensure that the quality and value of its property holdings are maintained.

ALE's total return performance

According to investment bank UBS Australia, ALE was Australia's best performing ASX listed REIT for the three years ended 30 June 2008. Over this period ALE provided its security holders with an annual compound total return (including distributions plus security price movements) of 21.8%. This may be compared with the S&P/ASX 300 Property Accumulation Index annual compound total return over the same period of -2.5%.

Over the four years and nine months to August 2008, ALE has paid distributions of around \$1.02 compared to an initial IPO investment of \$1.00. Over and above this return on initial investment, investors continue to hold a security currently trading at around \$3.00. Accordingly, the accumulated total value of investment (ignoring return on reinvested distributions) is around \$4.02.

New security holder

ALE notes that Woolworths Limited acquired a 19.9% holding in ALE on 12 May 2008. ALE welcomes Woolworths to the register and looks forward to its continuing support.

Vale Hotel

In February 2008, ALH sought declarations in the Supreme Court of Victoria on the proper interpretation of its lease as it relates to the development of a large amount of vacant land available (balance lot) at the Vale Hotel, Mulgrave, Victoria. ALE and ALH are due to enter into mediation on this matter by mid November 2008. In the event that mediation does not resolve the matter, it will be determined by the Supreme Court of Victoria. It is pointed out, however, that no matter how it is determined, the lease specifies that ALE is entitled to be kept whole in the event of any development.

Net tangible assets and gearing outlook

ALE is prepared for the outcomes that may flow from further movements in a range of property and financial variables including property capitalisation rates. In addition to changes in capitalisation rates, other transactions and factors that have an influence on the value of both ALE's assets and liabilities over the short term include:

1. The sale of Parkway Hotel in Sydney for \$8.5 million was concluded in July 2008 at a capitalisation rate of 5.91% and this provided a net profit of \$2.0 million compared to the book value of \$6.5 million.
2. The final acquisitions of the two remaining development properties, Burleigh Heads Hotel and Narrabeen Hotel in NSW, are scheduled to be settled before 30 September 2008 and on current independent assessments should provide a premium to book value of at least \$4.5 million. Both properties have been operating for some time and will settle following satisfactory due diligence. Both settlements are already funded and ALH and Foster's are assuming the development risks for both properties.
3. The proceeds of the distribution reinvestment plan will see around \$2.36 million retained in late August 2008. ALE may decide at a future time whether acquisitions and other capital management initiatives lead to the issuance of new securities to satisfy participation in the plan.
4. CPI based rental increases (mostly due in November 2008) are expected to have a positive impact on property revaluations. Assuming capitalisation rates are maintained at current levels, an assumed increase in CPI of 4.0% and an increase in QLD land tax to \$2.0 million would increase the valuations of the properties by around \$28 million.

In addition to factors 3 and 4 above, other factors that can have a positive influence on a continuing basis on both ALE's net assets and gearing levels are:

5. Increasing cash balances may arise to the extent that ALE retains cash by distributing less than its free cash flow.
6. Mark to market derivative profits may arise from the CPI Hedges if long term real interest rates continue to rise.
7. Indexed debt amounts outstanding will increase by CPI.
8. Acquisition of any of the \$150 million of ALE Notes at less than \$102.50 will reduce ALE's liabilities. The Notes have recently traded at \$83.00.
9. Any acceleration of the benefits available from the counter swap arrangements will increase the surplus free cash flow available to reduce debt. At 19 August 2008, the value of these arrangements is around \$16 million and is currently scheduled to be included in distributable income over the eight years ending June 2015.

FY08 distributions

ALE increased total distributions per security to 33.60 cents in the current year, up 3.4% from 32.50 cents in FY07. The 16.85 cent FY08 second half distribution will be paid on 29 August 2008 to stapled security holders on ALE's register as at 5pm on 24 June 2008.

The total distribution was also above the guidance of at least 33.50 cents per stapled security and pays out around 100% of the distributable profit generated during the year.

ALE's FY08 distribution is 100% tax deferred.

Ongoing distribution policy

Previously, ALE had a transparent distribution policy of paying half-yearly ongoing capital distributions of at least 50% of CPI indexed net rent related revaluations. The aim of this policy was to maintain ALE's gearing levels and accordingly the distributions were funded from drawings on bank debt and CMBS facilities.

Going forward, the ALE Board has decided to adapt the policy to one of setting distributions at a level that does not exceed the free cash flow available. On that basis there is no anticipated requirement to draw down additional debt to finance any part of future distributions. In other words, the total distribution will not exceed an amount equal to the rental income less land tax, management costs and net cash interest payments. Given the tenant's triple net lease obligations, it is not anticipated that any provision for maintenance capital expenditure will be required.

As always, the ALE Board will have appropriate regard to the financial position of the Group, including traditional financial and liquidity measures in determining distribution payments each year.

Outlook

The general outlook for ALE for the year to June 2009 remains positive despite challenges for both the property and financing markets. More sales of quality property are expected from distressed vendors as asset price volatility, higher financing costs and the lower availability of both equity and debt finance all impact upon the viability of property ownership. ALE has already taken and will continue to take steps to protect its investors from this market instability.

ALE continues to remain focused on property with long term secure leases both in the pub and other commercial property sectors. While acquisition opportunities are expected to become increasingly available, the ongoing challenge for ALE will be to secure funding to complete them. While ALE has successfully obtained \$55 million of additional unsecured bank funding lines during FY08, a continuation of the constrained credit environment may hinder further acquisitions.

In terms of revenue growth for the existing portfolio, the outlook is positive. The current expectations are for an increase in the CPI of between 4.0% and 4.5% for the year ending September 2008. The actual increase is expected to be announced on 22 October 2008 and will be reflected in rental increases commencing November 2008.

Cash interest savings derived from both the May 2006 refinancing and the more recent CPI Hedging arrangements will have a material and positive impact on both risk and quantum of ALE's distributable cash flow for many years to come. As always, management will continue to identify other opportunities for further savings to be achieved.

The current funding and risk management position effectively provides security holders with an increasingly predictable distributable free cash flow profile. The differences in the expected free cash flow growth profile are largely limited to the extent of any fluctuations in post 2011 credit margins as well as market rental growth rates, land tax and management cost escalation above or below movements in the CPI.

Distribution guidance

Given ALE's current interest rate hedging and gearing position, inflation indexed increases in property rentals substantially flow through to distributable free cash flow at a growth rate equal to at least the increase in the CPI.

ALE expects distributions to be 100% tax deferred for FY09 and FY10 and at least 75% tax deferred for FY11 and FY12. This expectation is based upon an unchanged portfolio and capital structure.

For the year ending June 2009, ALE anticipates a free cash flow at levels exceeding the FY08 distribution payment. Further guidance in respect of the FY09 distribution will be provided at ALE's 2008 AGM following the release of the September 2008 full year CPI results.

Once again, I thank ALE's Board, management team and investors for their continued support in what has been a year of consistent performance and significant achievements in risk management.



Andrew Wilkinson
Managing Director

MANAGEMENT TEAM

Brendan Howell

BEd, GDipAppFin
Company Secretary
and Compliance Officer

The Company Secretary is Mr Brendan Howell. Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006.

Andrew Slade

BEd (Actuarial Studies)
Investment and Acquisitions
Manager – Securitised
Property

Andrew joined ALE in July 2005. Andrew has 18 years experience in investment banking and structured finance.

Michael Clarke

BCom, MMan, CA
Finance Manager and
Assistant Company Secretary

Michael joined ALE in October 2006. Michael has over 26 years experience in accounting, taxation and financial management.

Andrew Wilkinson

BBus, CFTP
Managing Director

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.



Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and over 18 years experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For over nine years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure fund managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

Andrew spent 10 years with Oxley Corporate Finance, where he was involved with a range of structured, project and property finance transactions, the latter involving major Australian companies and listed property trusts. For the last eight years Andrew has acted as principal of Slade Financial Consulting, where he has provided advice on structured property and asset based financing arrangements for the private sector as well as for the NSW and SA Governments.

Andrew has a Bachelor of Economics degree, majoring in Actuarial Studies, from Macquarie University.

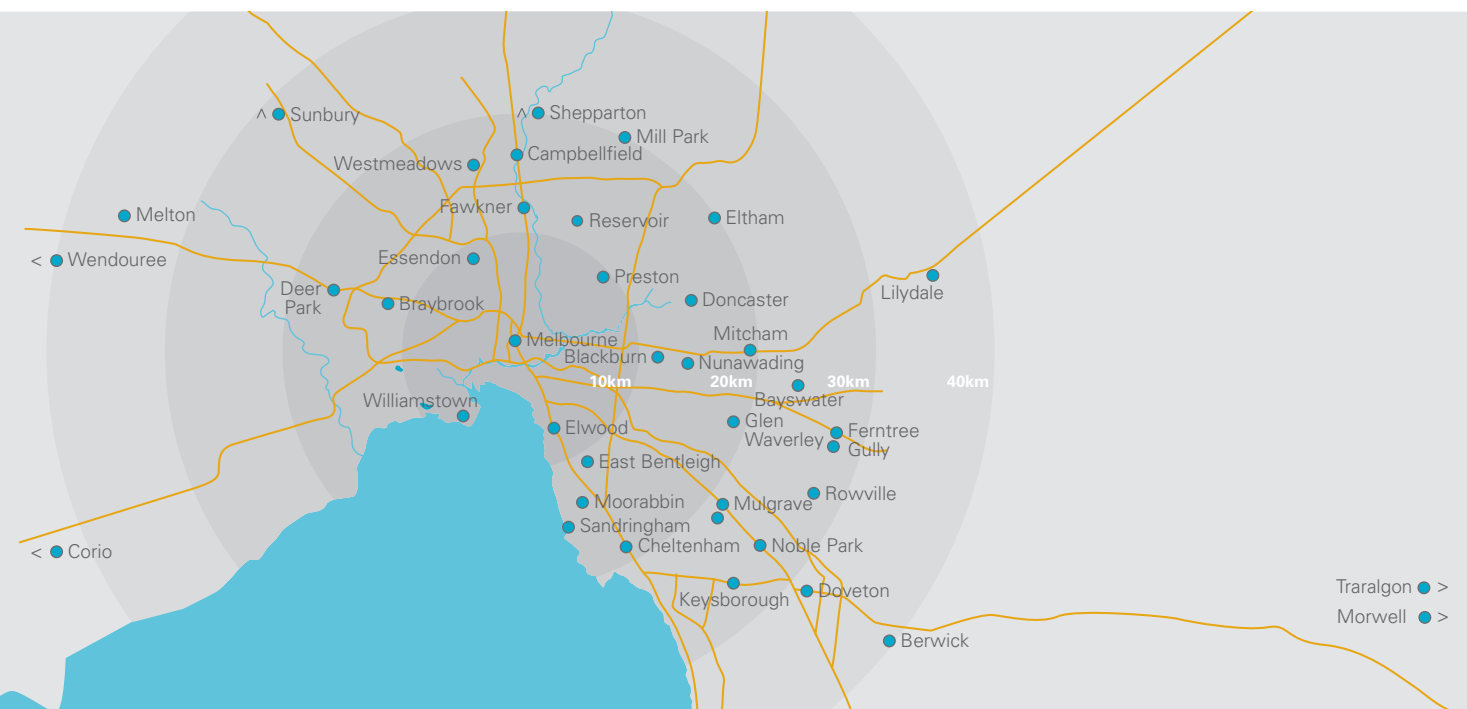
Michael previously held senior financial positions with subsidiaries of listed public companies and spent 12 years working for Grant Thornton. Michael has also owned and managed his own accounting practice.

Michael has a Bachelor of Commerce degree from the University of New South Wales and a Master of Management from Macquarie Graduate School of Management. Michael is a member of the Institute of Chartered Accountants in Australia.

Andrew has over 25 years experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers, where he specialised in providing financial and strategic advice on significant property and infrastructure portfolios. Over his eight year period with the firm he held a number of senior positions and was also one of the founding members of the NSW Government's Infrastructure Council. Andrew's prior career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders, where he was involved in leading the financing arrangements for a range of major projects.

The Village Green is located on the major intersection of Springvale and Ferntree Gully Roads, Mulgrave. It provides an extensive range of activities for the whole family – kids' clubs, a nightclub, a range of bistros, bars, sport bars and a function centre. www.thevillagegreen.com.au

ALE owns 43 freehold pub properties in Victoria valued at \$408 million*. They are strategically located on the major arterial roads around the suburbs of Melbourne.



VICTORIA (including Melbourne city and suburban locations) – 43 PUBS – ASHLEY HOTEL, Braybrook / BAYSWATER HOTEL, Bayswater / BERWICK INN, Berwick / BLACKBURN HOTEL, Blackburn / BLUE BELL HOTEL, Wendouree / BOUNDARY HOTEL, East Bentleigh / BURVALE HOTEL, Nunawading / CLUB HOTEL, Ferntree Gully / CRAMERS HOTEL, Preston / DAVEY'S HOTEL, Frankston / DEER PARK HOTEL, Deer Park / DONCASTER INN HOTEL, Doncaster / ELSTERNWICK HOTEL, Elwood / ELTHAM HOTEL, Eltham / FERNTREE GULLY HOTEL & MOTEL, Ferntree Gully / GATEWAY HOTEL, Corio / KEYSBOROUGH HOTEL, Keysborough / MAC'S HOTEL, Melton / MEADOW INN HOTEL, Fawkner / MITCHAM HOTEL, Mitcham / MORWELL HOTEL, Morwell / MOUNTAIN VIEW HOTEL, Glen Waverley /

* As at June 2008.



Most of ALE's Melbourne pubs are located between 10km and 30km from the CBD, with a large number in the north-eastern and south-eastern suburbs where major population catchments are located.

2 / Doncaster Inn, Doncaster, VIC

Located on Doncaster Road, Doncaster Inn has easy access to the Eastern Freeway. A newly renovated family friendly bistro and dining area serves lunch and dinner meals. The public bar has nightly entertainment and a spacious SuperTAB and Sportsbar with large screens. The hotel also has a huge indoor kids' playground. www.doncasterhotel.com.au

3 / Young & Jackson Hotel, Melbourne, VIC

The iconic Young & Jackson Hotel is located directly opposite the heritage listed Flinders Street station. It is famous as the home of "Chloe" and is an institution in Melbourne. The hotel showcases great Australian food, wine and beer (including its own brew, Young and Jackson's Naked Ale). www.youngandjackson.com.au

4 / Stamford Inn, Rowville, VIC

The Stamford Hotel is located on a large site in Melbourne's South-East, five minutes from the South Eastern Freeway. The Hotel caters for a wide range of patrons and includes a family bistro and restaurant. The recent addition of a purpose built Dan Murphy's will increase sales and enhance the performance appeal. www.thestamford.com.au



OLINDA CREEK HOTEL, Lilydale / PIER HOTEL, Frankston / PLOUGH HOTEL, Mill Park / PRINCE MARK HOTEL, Doveton / RIFLE CLUB HOTEL, Williamstown / ROSE SHAMROCK AND THISTLE HOTEL, Reservoir / ROYAL HOTEL ESSENDON, Essendon / ROYAL EXCHANGE HOTEL, Traralgon / ROYAL HOTEL (SUNBURY), Sunbury / SANDBELT HOTEL, Moorabbin / SANDOWN PARK HOTEL, Noble Park / SANDRINGHAM HOTEL, Sandringham / SOMERVILLE HOTEL, Somerville / STAMFORD INN HOTEL, Rowville / SYLVANIA HOTEL, Campbellfield / TUDOR INN HOTEL, Cheltenham / THE VALE HOTEL (PREVIOUSLY THE SPRINGVALE HOTEL), Mulgrave / VICTORIA HOTEL, Shepparton / VILLAGE GREEN HOTEL, Mulgrave / WESTMEADOWS TAVERN, Westmeadows / YOUNG & JACKSON HOTEL, Melbourne

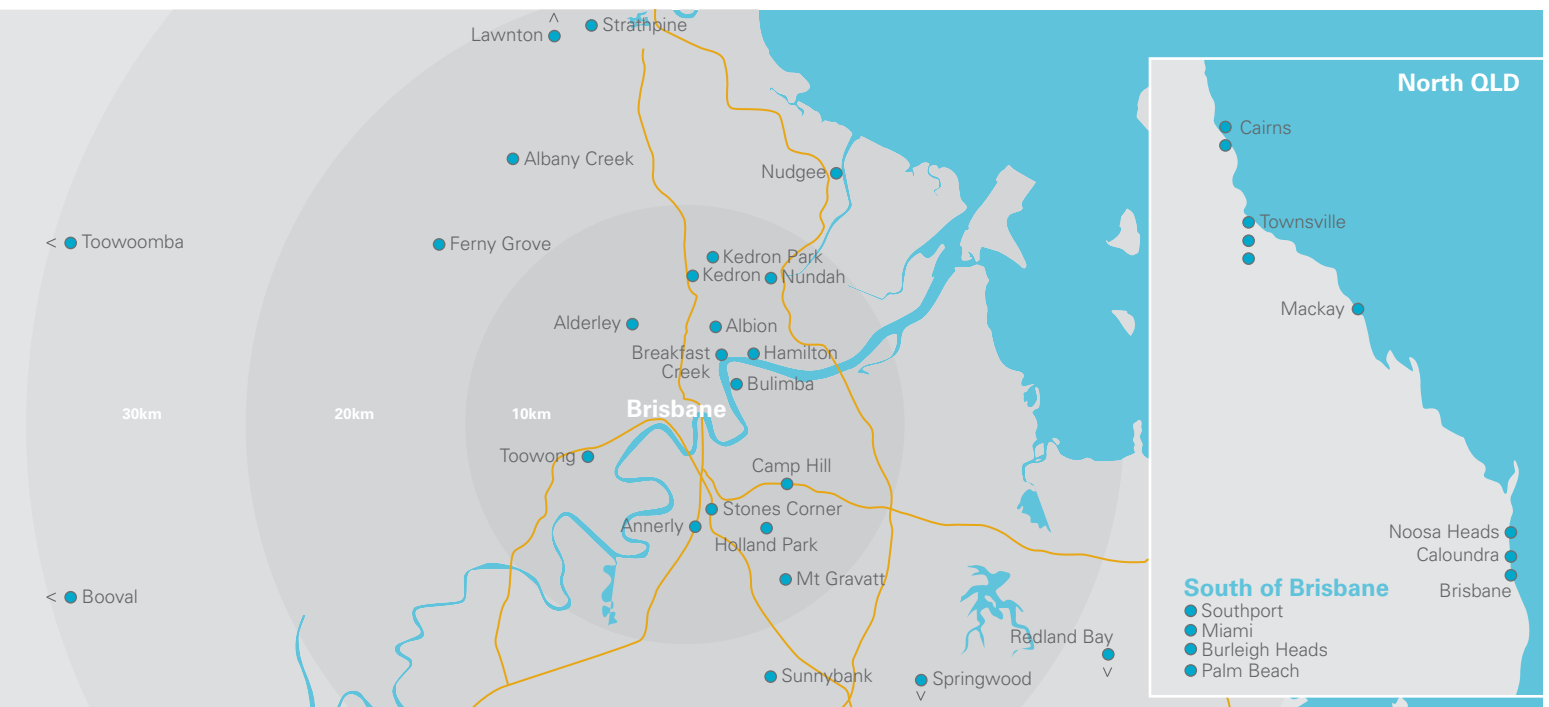
ALE owns 36[#] freehold pub properties in Queensland valued at \$245 million*. The majority of the pubs are located in suburban Brisbane, with others in prime coastal locations.

1 / Redland Bay Hotel, Redland Bay, QLD

On the shores of Moreton Bay, the original Redland Bay Hotel was built in 1882, a magnificent structure built to heroic proportions, and then again in the 1920s after fire. The hotel commanded a majestic stage overlooking the sparkling waters of Moreton Bay and its cluster of surrounding islands.
www.redlandbayhotel.com.au

2 / The Albion Hotel, Albion, QLD

The recently renovated Albion Hotel is located on Sandgate Road in Albion. The Cucina Bar and Restaurant offers both indoor and alfresco dining in an elegant Mediterranean atmosphere.
www.thealbionhotel.com.au



QUEENSLAND (including Brisbane city and suburban locations) – 23 PUBS – ALBANY CREEK TAVERN, Albany Creek / ALBION HOTEL, Albion / ALDERLEY ARMS HOTEL, Alderley / BANYO TAVERN, Nudgee / BREAKFAST CREEK HOTEL, Breakfast Creek / CAMP HILL HOTEL, Camp Hill / CHARDONS CORNER HOTEL, Annerly / COUNTRY CLUB HOTEL, Strathpine / EDINBURGH CASTLE HOTEL, Kedron / FERNY GROVE TAVERN, Ferny Grove / HAMILTON HOTEL, Hamilton / HOLLAND PARK HOTEL, Holland Park / KEDRON PARK HOTEL, Kedron Park / LAWNTON TAVERN, Lawnton / MT GRAVATT HOTEL, Mt Gravatt / OXFORD 152 HOTEL, Bulimba / PRINCE OF WALES HOTEL, Nundah / RACEHORSE HOTEL, Booval / REDLAND BAY HOTEL, Redland Bay / ROYAL EXCHANGE HOTEL, Toowong / SPRINGWOOD HOTEL, Springwood / STONES CORNER HOTEL, Stones Corner / SUNNYBANK HOTEL, Sunnybank / WILSONTON HOTEL, Wilsonton, Toowoomba

* ALE holds an interest in the Burleigh Heads Hotel. * As at June 2008.



3 / Breakfast Creek Hotel, Breakfast Creek, QLD

The Breakfast Creek Hotel is arguably the most famous watering hole in Queensland and probably one of the top two or three in the country. It's more than just a venue – it's a major destination in Brisbane, one of the best-loved in the city. Redevelopment in 2003 returned the "Brekky Creek" to her former glory, with a modern twist – a marriage of new and old. www.breakfastcreekhotel.com



4 / Sunnybank Hotel, Sunnybank, QLD

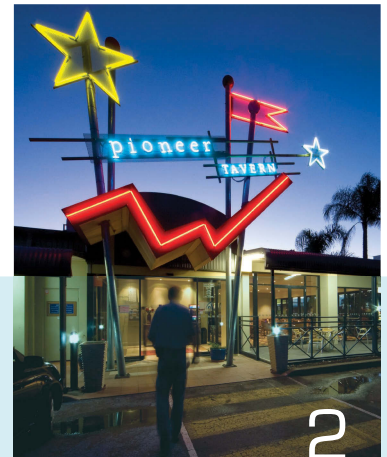
The Sunnybank Hotel is located in a prime position in McCullough Street and has a site area of around 20,000 m². The hotel offers a full range of entertainment and dining facilities plus motel style accommodation. www.sunnybankhotel.com.au

QUEENSLAND COAST – 14 PUBS – ANGLERS ARMS HOTEL, Southport / BALACLAVA HOTEL, Cairns / BURLEIGH HEADS HOTEL, Burleigh Heads / CALOUNDRA HOTEL, Caloundra / DALRYMPLE HOTEL, Townsville / EDGE HILL TAVERN, Cairns / KIRWAN TAVERN, Townsville / MIAMI HOTEL, Miami / MOUNT PLEASANT TAVERN, Mackay / NOOSA REEF HOTEL, Noosa Heads / PALM BEACH HOTEL, Palm Beach / PELICAN WATERS, Caloundra / THE VALE HOTEL AND AIKENVALE MOTEL, Townsville

ALE owns 11[#] freehold pub properties in New South Wales valued at \$106 million*. The pubs are mostly located in the northern and western suburbs of Sydney.

1 / New Brighton Hotel, Manly, NSW

Located in the heart of Manly, on Sydney's beautiful northern beaches, the New Brighton Hotel is one of the north side's premier venues. It is positioned on the Corso pedestrian mall that leads to the world famous Manly Beach and is a popular destination for both the local community as well as a large number of interstate and international tourists. The hotel was established in 1926 and is an icon in the area and well known for both its Lounge Bar and Shark Bar.
www.newbrightonhotel.com.au



NEW SOUTH WALES (including Sydney city and suburban locations) – 13 PUBS – BLACKTOWN INN HOTEL, Blacktown / BROWN JUG HOTEL, Fairfield Heights / COLYTON HOTEL, Colyton / CROWS NEST HOTEL, Crows Nest / KIRRIBILLI HOTEL, Kirribilli / MELTON HOTEL, Auburn /

* ALE held an interest in the Parkway and Narrabeen Hotels. Since June 2008 ALE has disposed of its interest in the Parkway Hotel. * As at June 2008.



2 / The Pioneer Tavern, Penrith, NSW

Located in the large population catchment area of Sydney's western suburbs, The Pioneer Tavern in south Penrith is a friendly and popular spot. The Pioneer has recently added a popular Dan Murphy's facility. www.thepioneertavern.com.au

3 / The Crows Nest Hotel, Crows Nest, NSW

The Crows Nest Hotel has been an institution on the lower North Shore for nearly 80 years. It caters to a diverse clientele base and is renowned for its entertainment offering. Built in 1927, "The Crowie" became an instant landmark with its prominent location on a five way intersection. Its high exposure to both current and potential patrons ensures the hotel maintains its landmark status almost a century later. www.crowsnesthotel.com.au

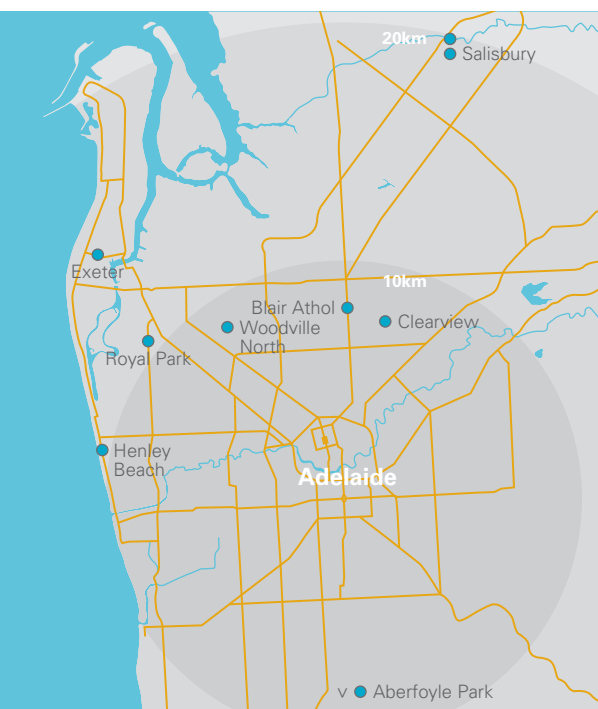
4 / Blacktown Inn, Blacktown, NSW

The well located Blacktown Inn boasts modern facilities and bar areas, and offers a wide range of entertainment and daily promotions.

The new Dan Murphy's outlet enhances the value of this popular "local". www.blacktowninn.com.au



NARRABEEN SANDS HOTEL, Narrabeen / NEW BRIGHTON HOTEL, Manly / PARKWAY HOTEL, Frenchs Forest /
PIONEER TAVERN, Penrith / PRITCHARD'S HOTEL, Mt Pritchard / PYMBLE HOTEL, Pymble / SMITHFIELD HOTEL, Smithfield



ALE owns 9 freehold pub properties in South Australia valued at \$36.5 million*. The pubs are located to the north and north-west of Adelaide.

**Ramsgate Hotel,
Henley Beach, SA**

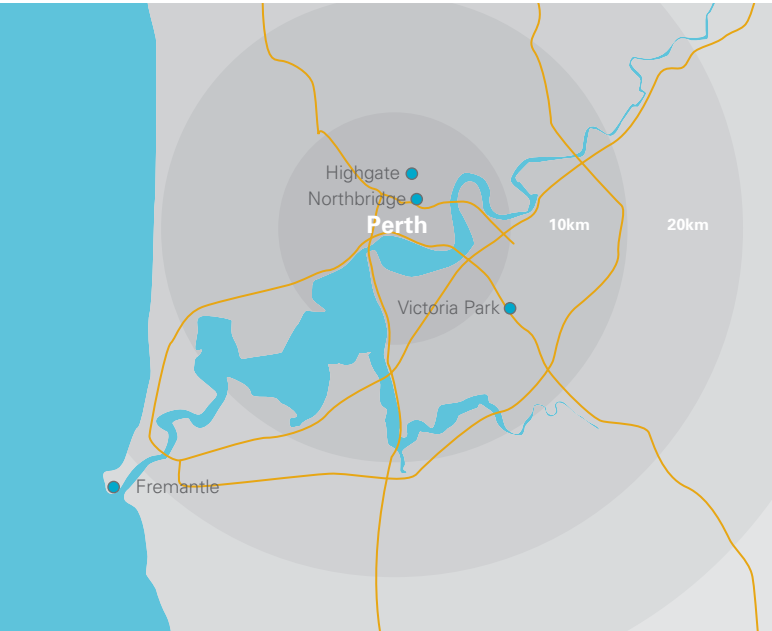
The Ramsgate is a popular venue located right across the road from a number of attractions, including the local community amphitheatre, beach and pier. Henley is regarded as the best beach in the Adelaide metropolitan area and is around 10km directly west of the CBD.
www.ramsgatehotel.com.au

SOUTH AUSTRALIA (including Adelaide city and suburban locations) – 9 PUBS – ABERFOYLE HUB TAVERN, Aberfoyle Park / ENFIELD HOTEL, Clearview / EUREKA HOTEL, Salisbury / EXETER HOTEL, Exeter / FINSBURY HOTEL, Woodville North / GEPPS CROSS HOTEL, Blair Athol / HENDON HOTEL, Royal Park / RAMSGATE HOTEL, Henley Beach / STOCKADE TAVERN, Salisbury

* As at June 2008.

**Sail and Anchor Hotel,
Fremantle, WA**

Located in the heart of the buzzing café and shopping precinct, the Sail and Anchor Hotel is the premier hotel in Fremantle. It is a beautiful example of Victorian (Federation) pub architecture and is close to all local amenities including major sporting fields, parks and the marina.

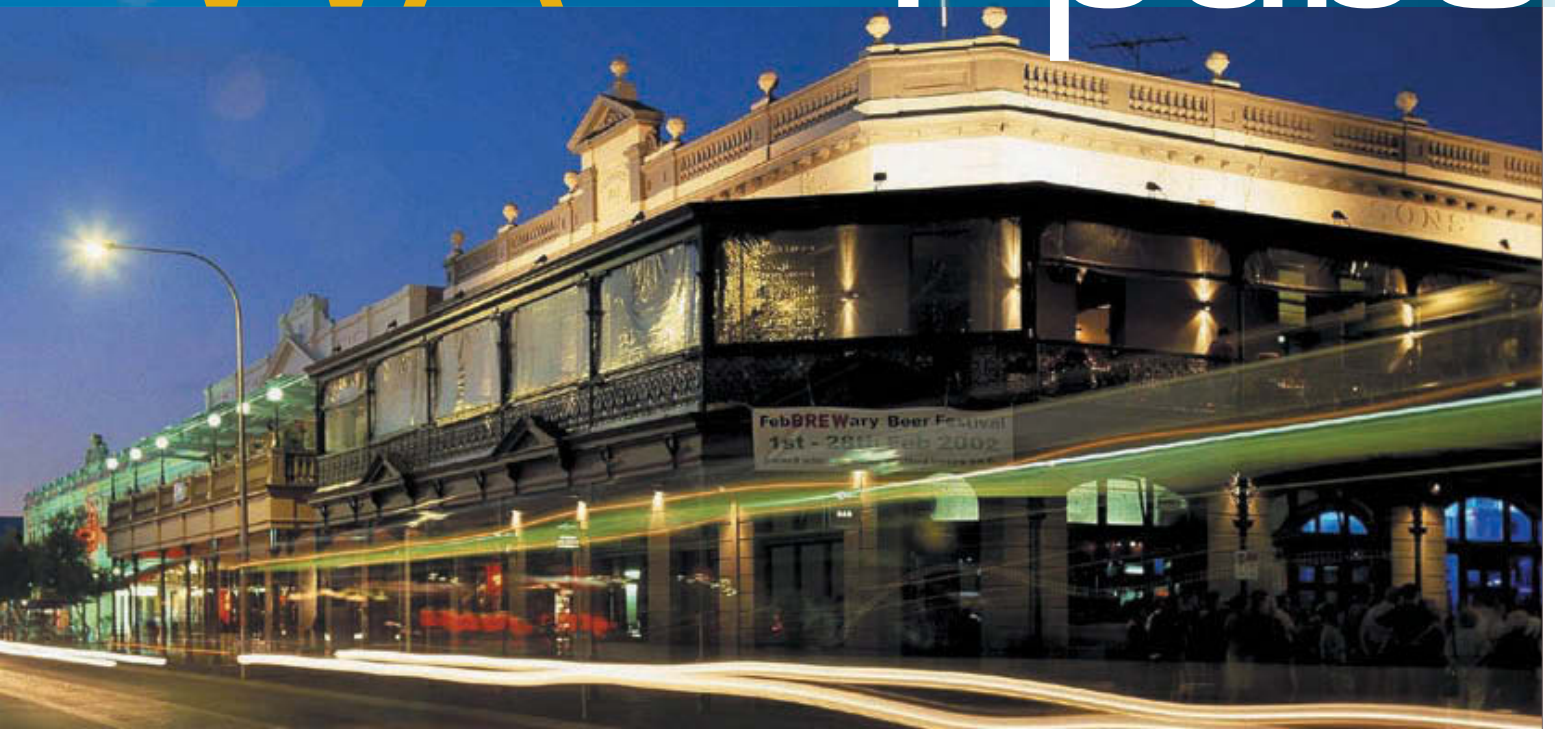


ALE owns 4 freehold pub properties in Western Australia

valued at \$25.1 million*.

The pubs are strategically located in popular growth areas of Perth.

WA 4 pubs



WESTERN AUSTRALIA – 4 PUBS – BALMORAL HOTEL, Victoria Park / QUEENS TAVERN, Highgate /
SAIL AND ANCHOR HOTEL, Fremantle / THE BRASS MONKEY, Northbridge

* As at June 2008.

BOARD OF DIRECTORS

Peter H Warne

BA
Chairman and
Non-executive Director

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

Andrew Wilkinson

BBus, CFTP
Managing Director

Andrew's qualifications and experience are outlined on page 17.

John Henderson

BBldg, MRICS, AAPI
Non-executive Director

John was appointed as a Non-executive Director of the Company in August 2003.

James McNally

BBus (Land Economy), DipLaw
Executive Director

James was appointed as an executive Director of the Company in June 2003.



Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited (BTAL) in 1981. Peter held senior positions in the Fixed Income Department, the Capital Markets Division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business of BTAL was acquired by Macquarie Bank Limited in 1999. Peter is also a board member of four other listed entities, being ASX Limited, Macquarie Group Limited, WHK Group Limited and TEYS Limited. Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial Studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

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

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

James has over 15 years experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

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

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

Helen Wright

LLB, MAICD
Non-executive Director

Helen was appointed as a Non-executive Director of the Company in September 2003.



Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practised as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is the Statutory and Other Offices Remuneration Tribunal for NSW and also the Local Government Remuneration Tribunal. Until recently Helen was a member of the boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management, and Cooks Cove Redevelopment Authority. Prior boards include Australia Day Council of NSW, Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited.

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.

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

Set out below is a summary of the main corporate governance practices of ALE. These practices have been in effect during the year ended 30 June 2008.

Roles of the Board and management

The Board's responsibilities encompass the following:

1. input to and final approval of management's development of corporate strategy and performance objectives
2. appointing and, where appropriate, removing the Managing Director (MD)
3. ratifying the appointment of and, where appropriate, the removal of the Acquisitions Manager, Finance Manager and the Company Secretary
4. oversight of ALE, including its controls and accountability systems
5. identification, assessment and ratification of plans to control and manage risks facing ALE including interest rate risk, liquidity risk and financial covenant compliance, as well as the overview of all systems of risk management, including risk reporting
6. annual review and approval of annual budgets and financial plans
7. oversight and monitoring of organisational performance and the achievement of ALE's strategic goals and objectives
8. monitoring of financial performance and liaison with ALE's external auditor
9. review and ratification of systems of internal compliance and control, codes of conduct and legal compliance
10. review of capital management strategy formulation including hedging, buybacks and refinancing arrangements
11. approval of all new policies and procedures relating to the proper functioning of ALE, including all financial and operational matters
12. monitoring of senior management performance and implementation of strategy, and ensuring appropriate resources are available and succession plans are in place
13. approving and monitoring the progress of major strategic initiatives including capital expenditure, capital management, acquisitions and divestitures

14. enhancing and protecting the reputation of ALE

15. reporting to, and communicating with, ALE's security holders

16. approving and monitoring financial and other reporting, and

17. establishing and maintaining ethical standards.

The Board delegates to the MD responsibility for implementing strategic direction, and for managing the day-to-day operations of ALE. The MD consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

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

Board composition

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution.

The Board has determined that it is currently appropriate to have five Directors, three of whom, including the Chairman, are Non-executive.

The three Non-executive Directors, Peter Warne, John Henderson and Helen Wright, are independent Directors as defined under section 601JA of the Corporations Act, and satisfy the principles of independence as outlined in the ASX Corporate Governance Council Recommendations. A review of each Director's independence is undertaken by tabling director interests at each and every ALE Board meeting and more formal assessments of independence are undertaken from time to time.

The Chairman is selected by the full Board annually at the first meeting following the annual general meeting (AGM), and is to be an independent Director in accordance with the Board Charter and ASX Corporate Governance guidelines.

The Board has implemented an annual performance evaluation process for management, Directors, the Board and its committees. Part of this process is to also ensure that the Board and its committees maintain an appropriate balance of skills, experience and expertise.

Details of the performance evaluation process for management are set out in the Directors' report on page 36.

To assist the Board in undertaking its own performance evaluation and that of Directors, last year it appointed a specialist governance adviser to review the performance of the Board.

The adviser confirmed that the Board and the Audit, Compliance and Risk Management Committee (ACRMC) were working effectively and suggested some minor enhancements to practices, which have all since been adopted.

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

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

Independent professional advice

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

Ethics and conduct

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

Audit, Compliance and Risk Management Committee (ACRMC)

To assist it in carrying out its responsibilities, the Board has established an ACRMC. This is a standing committee that is composed of four members, being three Non-executive independent Directors and an independent consultant.

Helen Wright, an independent Director, has been appointed as Chair of the Committee. The other members of the Committee are Peter Warne and John Henderson, also independent Directors, and independent consultant David Lawler.

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

As the Board comprises 50% or more independent Directors, an independent compliance committee has not been appointed. The Board has, however, determined that the ACRMC fulfil this role.

Details of the members of the ACRMC and their attendance at meetings are set out in the Directors' report on page 36.

KPMG was appointed as auditor for audit services in respect of the statutory accounts, the compliance plan and the Australian Financial Services Licence during the current financial year.

PricewaterhouseCoopers resigned with effect from the 2007 Annual General Meeting.

Given the small number of staff within the Company, the Company does not have an internal audit function. To ensure appropriate levels of internal control, ALE commissions an annual controls review. Following the completion of the review, BDO Kendalls reported to the Committee on 26 May 2008 that the standard of controls was assessed as commendable.

Board and executive remuneration

Details of Board and executive remuneration are set out in the Directors' report on page 38.

Independence and materiality thresholds

The Board considers that a Director is independent if the Director is a Non-executive Director and:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
2. within the last three years has not been employed in an executive capacity by the Company or another Group member; or been a Director after ceasing to hold any such employment
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided

4. is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer

5. has no material contractual relationship with the Company or another Group member other than as a Director of the Company

6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company, and

7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Peter Warne is also a director and the Chairman of Next Financial Limited (Next Financial) which acts as an Investment Manager. Next Financial holds on behalf of its clients 2,706,162 stapled securities in the ALE Property Group. With the exception of his own holding, Peter Warne is not involved in any of the decision-making processes regarding those securities held by Next Financial in the ALE Property Group. Procedures have been put into place to ensure that Peter Warne's independence and confidentiality of information are maintained.

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

Remuneration Committee

The Board has established a Remuneration Committee composed of three Non-executive independent Directors. Peter Warne is Chairman of the Committee.

Details of members and meetings held are set out in the Directors' report on page 36.

Trading in securities

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

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

- the release of the half-year results
- the release of the full-year results, and
- the close of the AGM.

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

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

All directors or employees are entitled to participate in the distribution reinvestment plan on the same terms as other security holders.

All Directors and employees are also precluded from buying or selling ALE Securities at any time while ALE is undertaking a general on-market buyback of that particular type of ALE Securities.

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

All Directors, officers and employees must disclose their financing arrangements relating to their ALE Securities to the Chairman and must advise if the following circumstances apply:

- the Director, officer or employee holds ALE Securities that have been lent, mortgaged or charged to a financier, and
- circumstances have arisen in which the financier is entitled or is likely to become entitled to exercise a right under the finance arrangement to demand payment, and
- the Director, officer or employee expects that the demand will not be able to be satisfied without the disposal of securities representing 2.5% or more of the total number of issued securities in ALE.

Directors, officers and employees who enter into margin loans or other financing arrangements over ALE Securities are directed to ensure that they have sufficient available cash or other acceptable collateral to meet margin calls including during a period of extreme sudden market downturn. Directors, officers or employees may not be provided with a clearance by ALE to dispose ALE Securities that are subject to a margin call.

Details of Directors' and employees' holdings (and those of their associates) in ALE Securities are set out in the Directors' report on page 35.

Investor relations

ALE is committed to the provision of timely, full and accurate disclosure of material information concerning ALE.

ALE has a policy that security holders have equal access to ALE's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Listing Rules of the ASX.

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

ALE website

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

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

Distributions

Distributions are paid to security holders every six months.

ASX Corporate Governance Council principles

ALE has adopted best practice corporate governance principles consistent with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

ALE has not fully complied with the following recommendation:

- 2.4 – Nomination Committee

Given the number of staff employed by the Company and the size of the Board, the Board has determined that it does not require a separate Nomination Committee and that the Board will fulfil these functions.

The 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 7
1 O'Connell Street
Sydney NSW 2000

The Directors of the Company present their report, together with the consolidated financial report of ALE, for the year ended 30 June 2008.

1. Directors

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

Name	Type	Appointed
P H Warne (Chairman)	Independent Non-executive	8 September 2003
J P Henderson	Independent Non-executive	19 August 2003
H I Wright	Independent Non-executive	8 September 2003
A F O Wilkinson	Executive	16 November 2004
J T McNally	Executive	26 June 2003

2. Principal activities

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

3. Significant changes in the state of affairs

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

4. Likely developments and expected results of operations

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

In accordance with the leases of its investment properties, ALE will receive increases in rental income in line with increases in the consumer price index. The Directors are not aware of any other future development likely to significantly affect the operations and/or results of ALE.

In February 2008, Australian Leisure and Hospitality Limited (ALH), ALE's tenant, sought declarations in the Supreme Court of Victoria on the proper interpretation of its lease as it relates to the development of a large amount of vacant land available (balanced lot) at the Vale Hotel, Mulgrave, Victoria. ALE and ALH are due to enter into mediation on this matter by mid November 2008. In the event that mediation does not resolve the matter, it will be determined by the Supreme Court of Victoria. It is pointed out, however, that no matter how it is determined, the lease specifies that ALE is entitled to be kept whole in the event of any development.

5. Distributions and dividends

Trust distributions payable to stapled security holders, based on the number of stapled securities on issue at the respective record dates, for the year were as follows:

	30 June 2008 cents per security	30 June 2007 cents per security	30 June 2008 \$'000	30 June 2007 \$'000
Final Trust income distribution for the year ended 30 June 2008 to be paid on 29 August 2008	15.44	10.57	13,244	9,595
Final Trust ongoing distribution of fair value adjustments to investment properties for the year ended 30 June 2008 to be paid on 29 August 2008	1.41	6.23	1,216	5,655
Interim Trust income distribution for the year ended 30 June 2008 paid on 28 February 2008	9.76	9.50	8,413	8,655
Interim Trust ongoing distribution of fair value adjustments to investment properties for the year ended 30 June 2008 paid on 28 February 2008	6.99	6.20	6,026	5,648
Total distribution for the year ended 30 June 2008	33.60	32.50	28,899	29,553

No provisions for or payments of Company dividends have been made during the year (2007: nil).

6. Matters subsequent to the end of the financial year

On 9 July 2008, ALE entered into a second CPI Hedge that hedges real base interest rates on \$186 million of debt at 3.77% for 15 years. This transaction substantially reduces the interest rate risk from the refinancing of debt that will occur in 2011 and further reduces the potential volatility in distributions over the long term. On 1 August 2008, ALE extended the second CPI Hedge entered into on 9 July 2008 by a further \$19 million.

On 28 July 2008, ALE disposed of its interest in the Parkway Hotel, Frenchs Forest for \$8.45 million. The sale represents a 30% premium to the carrying value of the investment as at 30 June 2008.

Other than the matters disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, 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 ALE, the results of those operations, or the state of affairs of ALE, in future financial years.

7. Review and results of operations

ALE produced an IFRS accounting profit of \$6.5 million for the year ended 30 June 2008 (30 June 2007: \$97.7 million). ALE produced a distributable income (before fair value adjustments and income tax) of \$10.0 million for the year ended 30 June 2008 (30 June 2007: \$12.8 million). ALE produced a distributable profit (before fair value adjustments and other non-cash items) of \$21.6 million for the year ended 30 June 2008 (30 June 2007: \$18.1 million).

The table below separates the cash components of profit that are available for distribution from the non-cash components of ALE's profit. The Directors believe this will assist stapled security holders in understanding the results of operations and distributions of ALE.

	30 June 2008 \$'000	30 June 2007 \$'000
Profit before income tax and fair value adjustments for the year	10,041	12,780
Unrealised fair value adjustments to investment properties	(2,098)	81,617
Unrealised fair value adjustments to derivatives	716	4,876
Income tax expense	(2,122)	(1,541)
Profit after income tax for the year	6,537	97,732
Unrealised fair value adjustments to derivatives and investment properties	1,382	(86,493)
Gain on disposal of investment properties	–	(449)
Employee share based payments	221	3
Finance costs – non-cash	11,399	5,758
Income tax expense	2,122	1,541
Adjustments for non-cash items	15,124	(79,640)
Profit after income tax adjusted for non-cash items	21,661	18,092
Fair value adjustments to investment properties distributed	7,242	11,303
Total available for distribution	28,903	29,395
Distribution paid or provided for	28,899	29,553
Available and under/(over) distributed for the year	4	(158)

	Note*	Percentage increase	30 June 2008 cents	30 June 2007 cents
Earnings and distribution per stapled security				
Basic and diluted earnings	14(a)	-93.0%	7.55	107.48
Earnings available for distribution	14(b)	25.6%	25.00	19.90
Income distribution		24.7%	25.03	20.07
Distribution of fair value adjustments to investment properties	14(c)	-31.1%	8.57	12.43
Total distribution		3.4%	33.60	32.50

* The above earnings and distribution per stapled security should be read in conjunction with the note 14 in the Annual Report.

Summary of financial highlights for the year

Total distribution per stapled security increased by 3.4% from 32.50 cents to 33.60 cents compared to the June 2007 year.

Investment property acquisitions and revaluations (excluding development properties) increased portfolio value by 6.65% from \$769.1 million to \$820.27 million compared to June 2007.

Net assets per stapled security decreased by 8.90% from \$3.37 to \$3.08 compared to June 2007 due to adjustments to property asset values, a buyback of stapled securities and a range of other minor items.

8. Information on Directors

Mr Peter Warne BA, Chairman and Non-executive Director

Experience and expertise

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

Peter began his career with the NSW Government Actuary's Office and the NSW Superannuation Board before joining Bankers Trust Australia Limited (BTAL) in 1981. Peter held senior positions in the Fixed Income Department, the Capital Markets Division and the Financial Markets Group of BTAL and acted as a consultant to assist with integration issues when the investment banking business of BTAL was acquired by Macquarie Bank Limited in 1999. Peter is also a board member of four other listed entities, being ASX Limited, Macquarie Group Limited, WHK Group Limited and TEYS Limited. Peter graduated from Macquarie University with a Bachelor of Arts, majoring in Actuarial Studies. He qualified as an associate of, and received a Certificate of Finance and Investment from, the Institute of Actuaries, London.

Mr John Henderson BBldg, MRICS, AAPI, Non-executive Director

Experience and expertise

John was appointed as a Non-executive Director of the Company in August 2003.

John has been a director of Marks Henderson Pty Ltd since 2001 and is actively involved in the acquisition of investment property. Previously an international director at Jones Lang LaSalle and Managing Director of the Sales and Investment Division, he was responsible for overseeing the larger property sales across Australasia, liaising with institutional and private investors, and coordinating international investment activities. John graduated from the University of Melbourne and is a member of the Royal Institution of Chartered Surveyors, is an associate of the Australian Property Institute and is a licensed real estate agent.

Ms Helen Wright LLB, MAICD, Non-executive Director

Experience and expertise

Helen was appointed as a Non-executive Director of the Company in September 2003.

Helen was a partner of Freehills, a leading Australian firm of lawyers, from 1986 to 2003. She practised as a commercial lawyer specialising in real estate projects including development and financing and related taxation and stamp duties. Helen is the Statutory and Other Offices Remuneration Tribunal for NSW and also the Local Government Remuneration Tribunal. Until recently Helen was a member of the boards of the Sydney Harbour Foreshore Authority, Australian Technology Park Precinct Management and Cooks Cove Redevelopment Authority. Prior boards include Australia Day Council of NSW, Darling Harbour Authority, UNSW Press Limited and MLC Homepack Limited. 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.

Mr Andrew Wilkinson BBus, CFTP, Managing Director

Experience and expertise

Andrew was appointed Managing Director of the Company in November 2004. He joined ALE as Chief Executive Officer at the time of its listing in November 2003.

Andrew has over 25 years experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers, where he specialised in providing financial and strategic advice on significant property and infrastructure portfolios. Over his eight year period with the firm he held a number of senior positions and was also one of the founding members of the NSW Government's Infrastructure Council. Andrew's prior career also includes 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders, where he was involved in leading the financing arrangements for a range of major projects.

Mr James McNally BBus (Land Economy), DipLaw, Executive Director

Experience and expertise

James was appointed as an executive Director of the Company in June 2003.

James has over 15 years experience in the funds management industry, having worked in both property trust administration and compliance roles for Perpetual Trustees Australia Limited and MIA Services Pty Limited, a company that specialises in compliance services to the funds management industry.

James provides compliance and management services to several Australian fund managers. He is currently an external member on a number of compliance committees for various responsible entities and acts as a Responsible Officer for a number of companies that hold an Australian Financial Services Licence, including the Company. James' qualifications include a Bachelor of Business in Land Economy (Hawkesbury Agricultural College) and a Diploma of Law (Legal Practitioners Admission Board). He is a registered valuer and licensed real estate agent.

Brendan Howell BE, GDipAppFin (Sec Inst), Company Secretary and Compliance Officer

Experience and expertise

The Company Secretary is Mr Brendan Howell. Brendan was appointed to the position of company secretary in April 2007, having previously held the position from September 2003 to September 2006.

Brendan has a Bachelor of Economics from the University of Sydney and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, and over 18 years experience in the funds management industry. He was formerly an associate member of both the Securities Institute of Australia and the Institute of Chartered Accountants in Australia. Brendan has a property and accounting background and has previously held senior positions with a leading Australian trustee company administering listed and unlisted property trusts. For over nine years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure fund managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

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

Mr David Lawler BBus, CPA, Independent ACRMC Member

Experience and expertise

David was appointed to ALE's ACRMC on 9 December 2005 and has 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 an audit committee member of the Australian Office of Financial Management, the Defence Materiel Organisation, the Australian Trade Commission, the Australian Sports Anti-Doping Authority, AusAID (the Australian Agency for International Development) and National ICT Australia.

David is a director of Australian Settlements Limited and chairman of its audit and risk committee.

David has a Bachelor of Business Studies from Manchester Metropolitan University in the UK. He is a Fellow of CPA Australia and a past president of the Institute of Internal Auditors-Australia.

Directorships of listed entities within the last three years

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

Director	Directorships of listed entities	Type	Appointed	Resigned
P H Warne	ASX Limited ^(a)	Non-executive	July 2006	
P H Warne	WHK Group Limited	Non-executive	May 2007	
P H Warne	Macquarie Group Limited	Non-executive	July 2007	
P H Warne	TEYS Limited	Non-executive	October 2007	

(a) In July 2006, the Australian Stock Exchange and SFE Corporation Limited (SFE) merged, with the SFE becoming a wholly owned subsidiary of the Australian Securities Exchange (ASX). SFE was delisted in July 2006. Peter was appointed to the board of the ASX on 25 July 2006.

Special responsibilities of Directors

The following are the special responsibilities of each Director:

Director	Special responsibilities
P H Warne	Chairman of the Board. Member of the Audit, Compliance and Risk Management Committee (ACRMC) and Chair of the Remuneration Committee.
J P Henderson	Member of the ACRMC. Member of the Remuneration Committee.
H I Wright	Chair of the ACRMC. Member of the Remuneration Committee.
A F O Wilkinson	Chief Executive Officer and Managing Director of the Company. Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).
J T McNally	Responsible Officer of the Company under the Company's Australian Financial Services Licence (AFSL).

Directors' and key management personnel interests in stapled securities and performance 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	Purchases / (sales)	Number held at 30 June 2008
P H Warne	Non-executive Director	700,000	40,000	740,000
J P Henderson	Non-executive Director	109,000	80,000	189,000
H I Wright	Non-executive Director	100,000	–	100,000
A F O Wilkinson	Executive Director	377,650	–	377,650
A J Slade	Investment and Acquisitions Manager	12,000	–	12,000
M J Clarke	Finance Manager	1,500	–	1,500

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

Name	Role	Number held at the start of the year	Conversion/Sales / Purchases	Number held at 30 June 2008
A F O Wilkinson	Executive Director	–	90,516	90,516
A J Slade	Investment and Acquisitions Manager	–	15,552	15,552

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2008 and the number of meetings attended by each Director at the time the Director held office during the year were:

Director	Board meetings		ACRMC meetings		Remuneration Committee meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
P H Warne	9	9	8	8	2	2
J P Henderson	9	8	8	8	2	2
H I Wright	9	9	8	8	2	2
A F O Wilkinson	9	9	n/a	n/a	n/a	n/a
J T McNally	9	9	n/a	n/a	n/a	n/a

Member of Audit, Compliance and Risk Management Committee

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

9. Remuneration report (audited)

The remuneration report is set out under the following main headings:

- 9.1 Principles used to determine the nature and amount of remuneration
- 9.2 Details of remuneration
- 9.3 Service agreements
- 9.4 Equity based compensation

The information provided under these headings includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

9.1 Principles used to determine the nature and amount of remuneration

The objectives of ALE's executive reward framework are to ensure that reward for performance is transparent, reasonable, competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled security holders, and conforms with market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to stapled security holders
- performance linkage/alignment of executive compensation with outcomes for security holders
- transparency
- capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to stapled security holders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in stapled security holder wealth, consisting of distributions, dividends and growth in stapled security price and delivering constant return on assets

as well as focusing the executive on key non-financial drivers of value

- attracts and retains high calibre executives.

Alignment to employee interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in stapled security holders' wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay and a blend of short and long term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of "at risk" rewards, depending upon the nature of the executive's new role.

The overall level of executive reward takes into account the performance of ALE over a number of periods with greater emphasis given to the current year. Over the three years ended 30 June 2008, the total return on ALE's stapled securities (inclusive of distribution returns) was 21.80% (2007: n/a).

Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on and the responsibilities of the Directors. Non-executive Directors' fees and payments were last reviewed in 2007, the first review since 2003.

The Board may obtain the advice of independent remuneration consultants to ensure that Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently from the fees of the 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 options or performance rights over stapled securities.

Directors' fees

The current base remuneration was last reviewed with effect from July 2007. The Directors' fees are inclusive of committee fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit which will be periodically recommended for approval by stapled security holders. The maximum currently stands at \$475,000 per annum, comprised of \$385,000 per annum for Non-executive Directors and \$90,000 per annum for the executive Director (inclusive of a responsible officer fee of \$5,000 per annum) and excluding the Managing Director's remuneration.

The maximum amount for Non-executive Directors can only be increased at a general meeting of the Company.

Retirement allowances for Directors

No retirement allowances for Directors are offered by the Company.

Executive pay

The executive pay and reward framework has three components, the combination of which comprises the executive's total remuneration:

- base pay and benefits
- short term performance incentives
- long term incentives.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-cash benefits at the discretion of the executives and the Board.

Executives are offered a competitive base pay that comprises the fixed component of their remuneration. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for comparable roles. Base pay for senior executives is reviewed annually to ensure that executive pay is competitive with the market. Executive pay is also reviewed on promotion.

There is no guaranteed base pay increase in any executive contract.

Short term incentives (STI)

The short term incentive arrangements in place at ALE have been designed to link annual STI bonus awards to executive performance against agreed key performance indicators (KPIs) including the financial performance of ALE during the year in question.

Each executive has a target STI opportunity depending on the accountabilities of the role and the impact on the performance of ALE.

Each year, the Remuneration Committee considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payments of STI.

For the year ended 30 June 2008, the KPI links to STI plans were based on ALE, business and personal objectives. The KPIs required performance in seeking value accretive acquisitions, managing operating and funding costs, compliance with legislative requirements, risk and capital management and increasing security holder value, as well as other key strategic non-financial measures linked to drivers of performance in future economic periods.

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

The STI payments may be adjusted up or down in line with over or under achievement against the target performance levels. This is at the discretion of the Board.

The STI target annual payment is reviewed annually.

Long term incentives (LTI)

Performance rights over unissued stapled securities were granted in June 2008 to Mr Wilkinson and Mr Slade. Mr Wilkinson has the right to receive up to 90,516 stapled securities at a nil cost exercisable from 1 June 2009 or earlier, if employment is terminated after a change of control in ALE. Mr Slade has the right to receive up to 15,552 stapled securities at a nil cost exercisable progressively from 30 June 2008 or earlier, if employment is terminated after a change of control in ALE.

The performance rights provide the opportunity to receive fully paid stapled securities for nil cost. The receipt of stapled securities is contingent on achieving specific performance hurdles over a specified performance period. The performance hurdles are as follows:

- a Total Shareholder Return (TSR) performance hurdle where ALE's TSR is ranked against a comparative group consisting of companies classified as Real Estate Investment Trusts in the S&P/ASX 300 Index;
- a TSR performance hurdle based on ALE's absolute TSR; and
- a service period retention hurdle, whereby the employee must be employed by ALE at the vesting date for the performance rights to vest.

Stapled security options granted

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

Stapled security performance rights granted

The following performance rights (PR) over unissued stapled securities were granted during the year:

Executive	Number of PRs issued	Grant date	Performance period start date	Fair value of PR at grant date (\$)	Expiry date	Number of PRs vested during 2008
A F O Wilkinson	90,516	12 Dec 2007	6 Nov 2006	3.11	1 Jun 2009	—
A J Slade	15,552	30 Jun 2008	1 Jul 2007	2.57	30 Jun 2010	—

9.2 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 headed "Short term incentives", above. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2007 to 30 June 2008

Details of the remuneration of the key management personnel for the year ended 30 June 2008 are set out in the following table:

Key management personnel		Short term employee benefits			Post employment benefits	Equity based payment	
Name	Role	Salary and fees \$	STI bonus \$	Non-monetary \$	Superannuation \$	Performance rights ¹ \$	Total \$
P H Warne	Non-executive Director	137,615	—	—	12,385	—	150,000
J P Henderson	Non-executive Director	85,000	—	—	—	—	85,000
H I Wright	Non-executive Director	77,982	—	—	7,018	—	85,000
A F O Wilkinson	Executive Director	297,741	120,000	—	13,092	181,076	611,909
J T McNally	Executive Director	90,000	—	—	—	—	90,000
B R Howell	Company Secretary	90,000	—	—	—	—	90,000
A J Slade	Investment and Acquisitions Manager	155,575	75,000	—	13,092	40,000	283,667
M J Clarke	Finance Manager	79,536	25,000	—	22,965	—	127,501
		1,013,449	220,000	—	68,552	221,076	1,523,077

1. The equity based payments expense for Mr Wilkinson's performance rights covers the period November 2006 to June 2008.

Table 2 Remuneration details 1 July 2006 to 30 June 2007

Details of the remuneration of the key management personnel for the year ended 30 June 2007 are set out in the following table:

Key management personnel		Short term employee benefits			Post employment benefits	Equity based payment	
Name	Role	Salary and fees \$	STI bonus \$	Non-monetary \$	Superannuation \$	Options \$	Total \$
P H Warne	Non-executive Director	110,092	–	–	9,908	–	120,000
J P Henderson	Non-executive Director	70,000	–	–	–	–	70,000
H I Wright	Non-executive Director	64,220	–	–	5,780	–	70,000
A F O Wilkinson	Executive Director	257,314	75,000	–	12,686	2,891	347,891
J T McNally	Executive Director	75,000	–	–	–	–	75,000
B R Howell	Company Secretary	57,500	–	–	–	–	57,500
A J Slade	Investment and Acquisitions Manager	142,793	40,000	–	12,686	–	195,479
M J Clarke	Finance Manager	44,278	15,000	–	3,992	–	63,270
D S Barkas ¹	Group Financial Controller and Company Secretary	97,101	–	18,900	8,963	–	124,964
		918,298	130,000	18,900	54,015	2,891	1,124,104

1. Mr Barkas resigned effective 20 April 2007.

Cash bonuses

For each cash bonus included in the above tables, the percentage of the available bonus that was awarded for the year and the percentage that was forfeited because a person did not meet the performance criteria are set out below.

Name	Paid		Forfeited	
	2008 %	2007 %	2008 %	2007 %
A F O Wilkinson	160	100	–	–
A J Slade	150	100	–	–
M J Clarke	100	100	–	–

9.3 Service agreements

On 30 June 2008, the Company entered into a service agreement with the Managing Director, Mr Wilkinson, relating to the period starting November 2006 and ending on 1 June 2009. The agreement stipulates the minimum base salary, inclusive of superannuation, for each of the first three years as being \$300,000 for Mr Wilkinson, to be reviewed annually by the Board. A short term incentive (which if earned, would be paid as a cash bonus each year) and a long term incentive in the form of performance rights over stapled securities, vest from May 2009 (or earlier if there is a termination after a change of control) are also provided.

In the event of the termination of Mr Wilkinson's employment contract and depending on the reason for the termination, amounts may be payable for unpaid accrued entitlements and a proportion of bonus entitlements as at the date of termination. In the event of redundancy, termination amounts are payable for base salary, inclusive of superannuation and bonus and performance right entitlements for the balance of the contract.

At the annual general meeting of the Company to be held on 12 November 2008, the terms of Mr Wilkinson's new contract will be put to a shareholder vote.

The employment contracts of Mr Slade and Mr Clarke may be terminated at one month's notice.

There are no other Director or executive service agreements.

Letters of appointment have been entered into by each Director (excluding the Managing Director) confirming their remuneration and obligations under the Corporations Law and Company constitution.

A letter of appointment has been entered into with MIA Services Pty Limited for the use of the services of Brendan Howell as Company Secretary and as Compliance Officer of ALE on a continuous basis that may be terminated at any time.

9.4 Equity based compensation

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

Stapled securities under performance rights or options

There are no unissued stapled securities under the performance rights plan or options at the date of this report.

Stapled securities issued on the exercise of performance rights or options

No stapled securities have been issued during the financial year.

10. Insurance of officers

During the financial year, the Company paid a premium of \$24,615 (2007: \$28,325) 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.

11. Environmental regulation

Whilst 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 responsibility and compliance with the various licence requirements and regulations. Further, the Directors are not aware of any material breaches of these requirements. At three properties ongoing testing and monitoring is being undertaken and minor remediation work is required; however, ALE is indemnified by third parties against any remediation amounts likely to be required.

12. Non-audit services

ALE may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with ALE 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*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out on the following page, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the ACRMC to ensure that they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for ALE, acting as an advocate for ALE or jointly sharing economic risk and rewards.

Details of amounts paid or payable to the auditors (KPMG and PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below:

	30 June 2008 \$	30 June 2007 \$
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
• in relation to current year	125,241	–
Total remuneration for audit services	125,241	–
PricewaterhouseCoopers Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the <i>Corporations Act 2001</i>		
• in relation to current year	–	149,437
• in relation to prior year	25,171	28,357
Total remuneration for audit services	25,171	177,794
Other assurance services		
PricewaterhouseCoopers Australian firm:		
General accounting advice (including AIFRS)	–	18,893
Total remuneration for other assurance services	–	18,893
Total remuneration for assurance services	25,171	196,687
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	21,700	5,300
Tax consulting services	72,900	38,685
Total taxation services	94,600	43,985

13. 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 14 in the Annual Report.

14. Rounding of amounts

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

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



Peter H Warne

Director

Sydney

Dated this 19th day of August 2008

CONSOLIDATED INCOME STATEMENTS /
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 \$'000	2007 \$'000	Parent Entity 2008 \$'000	2007 \$'000
Revenue					
Rent from investment properties	6	50,169	47,972	–	–
Interest from investment arrangements	6	2,013	1,963	–	–
Distributions	7	–	–	35,520	31,700
Interest from cash deposits	8	1,055	1,430	115	35
Total revenue		53,237	51,365	35,635	31,735
Other income					
Gain on disposal of investment properties	14	–	449	–	–
Fair value adjustments to investment properties	18	(2,098)	81,617	–	–
Fair value adjustments to derivatives	10	716	4,876	(859)	(600)
Total other income		(1,382)	86,942	(859)	(600)
Total revenue and other income		51,855	138,307	34,776	31,135
Expenses					
Finance costs (cash and non-cash)	9	38,476	34,895	12,912	12,723
Management fees		–	–	2,875	2,335
Queensland land tax expense		1,588	1,309	–	–
Other expenses	12	3,132	2,830	126	105
Total expenses		43,196	39,034	15,913	15,163
Profit before income tax		8,659	99,273	18,863	15,972
Income tax expense	13	2,122	1,541	–	–
Profit after income tax		6,537	97,732	18,863	15,972
Profit attributable to the stapled security holders of ALE		6,537	97,732	18,863	15,972
		Cents	Cents	Cents	Cents
Basic and diluted earnings per stapled security	14(a)	7.55	107.48	21.77	17.59
Distribution per stapled security for the year	14(e)	33.60	32.50	33.60	32.50

The above consolidated income statements should be read in conjunction with the notes included in the Annual Report.

RECONCILIATION OF DISTRIBUTIONS TO STAPLED SECURITY HOLDERS

Profit attributable to the stapled security holders of ALE		6,537	97,732	18,863	15,972
Adjustments for non-cash items	14	15,124	(79,640)	2,794	2,378
Profit after income tax adjusted for non-cash items		21,661	18,092	21,657	18,350
Fair value adjustments to investment properties identified for distribution	14	7,242	11,303	7,242	11,303
Total available for distribution		28,903	29,395	28,899	29,653
Distribution paid or provided for		28,899	29,553	28,899	29,553
Available and undistributed for the year	14	4	(158)	–	100

The above consolidated income statement should be read in conjunction with the notes included in the Annual Report.

Basic and diluted earnings per stapled security before fair value, income tax and other amounts is disclosed in Note 14 of the financial report included in the Annual Report.

	Note	Consolidated 2008 \$'000	2007 \$'000	Parent Entity 2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	15	8,527	24,765	2,100	1,184
Receivables	16	1,906	398	19,883	18,167
Derivatives	11	19,064	11,514	458	170
Loans and deposits – investment properties	19	19,576	19,576	–	–
Current tax asset		1	–	–	–
Other	17	563	1,180	12	12
Total current assets		49,637	57,433	22,453	19,533
Non-current assets					
Investment properties	18	820,270	769,110	–	–
Loans and deposits – investment properties	19	2,551	2,551	–	–
Investments in controlled entities	21	–	–	180,656	210,943
Plant and equipment	20	111	51	–	–
Deferred tax asset	25	1,164	1,001	–	–
Total non-current assets		824,096	772,713	180,656	210,943
Total assets		873,733	830,146	203,109	230,476
Current liabilities					
Payables	22	7,870	6,026	2,784	2,973
Borrowings	24	8,450	–	–	–
Derivatives	11	8,309	1,475	1,829	682
Provisions	23	14,497	15,283	14,460	15,251
Other	23	201	31	–	–
Total current liabilities		39,327	22,815	19,073	18,906
Non-current liabilities					
Borrowings	24	564,593	497,805	146,252	144,317
Deferred tax liability	26	5,890	3,605	–	–
Total non-current liabilities		570,483	501,410	146,252	144,317
Total liabilities		609,810	524,225	165,325	163,223
Net assets		263,923	305,921	37,784	67,253
Equity					
Contributed equity	27	60,384	80,241	60,792	80,225
Retained profits	28	203,318	225,680	(23,008)	(12,972)
Reserve	29	221	–	–	–
Total equity		263,923	305,921	37,784	67,253
Net assets per stapled security		\$3.08	\$3.37	\$0.44	\$0.74

The consolidated balance sheets should be read in conjunction with the notes included in the Annual Report.

SECURITY HOLDER INFORMATION

The equity holder information set out below was applicable as at 15 August 2008.

A. Distribution of equity securities

Analysis of number of equity security holders by size of holding:

Number of securities	CLASS OF EQUITY SECURITY	
	Number of stapled security holders	Number of No Income Voting Unit (NIVUS) holders
1 - 1,000	192	—
1,001 - 5,000	967	—
5,001 - 10,000	666	—
10,001 - 100,000	1,046	—
100,001 and over	11	1
Total	2,882	1

The stapled securities are listed on the ASX and each stapled security is comprised of one share in Australian Leisure and Entertainment Property Management Limited ("Company") and one unit in Australian Leisure and Entertainment Property Trust ("Trust"). The NIVUS have been issued by the Trust to the Company. There were 17 holders of less than a marketable parcel of stapled securities.

B. Top 20 equity security holders

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

Rank	Name	Number of stapled securities	% of issued capital
1	Woolworths Limited	17,076,936	19.90%
2	HSBC Custody Nominees Australia Limited	7,677,163	8.95%
3	Bell Potter Nominees Limited	3,227,498	3.76%
4	Mr Jeremy Nicholas Ferris, Mrs Dorothy May Ferris and Mr Kenneth Charles Ferris	2,016,652	2.35%
5	Lady Jean Falconer Griffin	1,859,120	2.17%
6	Merrill Lynch (Australia) Nominees Pty Limited	1,634,406	1.90%
7	Mr Nicholas Dyer	1,607,205	1.87%
8	UBS Wealth Management Australia Nominees Pty Limited	1,581,406	1.84%
9	JP Morgan Nominees Australia Limited	1,111,070	1.29%
10	Fortis Clearing Nominees Pty Limited	1,070,363	1.25%
11	HSBC Custody Nominees Australia Limited	1,037,995	1.21%
12	RBC Dexia Investor Services Australia Nominees Pty Limited	691,914	0.81%
13	Argo Investments Limited	610,000	0.71%
14	Oakleigh Nominees Pty Limited	526,140	0.61%
15	ANZ Nominees Limited	500,851	0.58%
16	BT Portfolio Services Limited	500,000	0.58%
17	Irrewarra Investments Pty Limited	500,000	0.58%
18	Fordholm Investments Pty Limited	415,000	0.48%
19	Merlor Holdings Pty Limited	347,000	0.40%
20	Charanda Nominee Company Pty Limited	271,721	0.32%
		44,262,440	51.56%

C. Substantial holders

Substantial holders of ALE (as per notices received as at 15 August 2008) are set out below:

Stapled security holder	Number held	Percentage of voting rights
Woolworths Limited	17,076,936	19.90%
Orbis MIS – Orbis/SM Australian Equity Fund	8,965,773	10.45%

D. Voting rights

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

(i) Stapled securities

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

(ii) 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 91,100,100 units have been issued by the Trust to stapled securities holders. 5,286,353 units have been cancelled via the on-market stapled security buyback program by the Company.

The NIVUS therefore represent 10.58% of the voting rights of the Trust.

Stock Exchange Listing

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

Distribution reinvestment plan

ALE has established a distribution reinvestment plan. Details are available on ALE's website.

Electronic payment of distributions

Security holders 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.

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

Publications

The Annual Review and Annual Report are the main sources of information for stapled security holders. 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 security holders unless we are requested not to do so. The Annual Report is 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 holders if they register on ALE's website. **The election by holders to receive communications electronically is encouraged by ALE.**

Website

The ALE website, www.alegroup.com.au, is a useful source of information for security holders. 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.

Annual tax statement

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

Distributions

Stapled security distributions are paid twice yearly, normally in February and August.

Security holder enquiries

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

Registered Office

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Telephone (02) 8231 8588

Company Secretary

Mr Brendan Howell
Level 7, 1 O'Connell Street
Sydney NSW 2000
Telephone (02) 8231 8588

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Lawyers

Allens Arthur Robinson
Level 28, Deutsche Bank Place
Sydney NSW 2000

Custodian (of Australian Leisure and Entertainment Property Trust)

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

Trustee (of ALE Direct Property Trust)

Trust Company Fiduciary Services Limited
Level 4, 35 Clarence Street
Sydney NSW 2000

Registry

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