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# ANNUAL REVIEW 2010

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ALE Property Group



Annual Report 30 June 2010





**Young and Jackson** is one of Melbourne's best known pubs. Opposite Federation Square and home of Jules Lefebvre's famous painting, 'Chloe'.

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WITH PETER WARNE

I am pleased to report that ALE delivered a distributable profit of 24.82 cents and paid distributions totalling 24.00 cents per security, thereby delivering on the Board's guidance.



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ALE decided on a course of action around a year ago. While we can now look back and acknowledge that some important milestones have been accomplished, we do so knowing that the completion of the refinancing task remains a high priority over the remainder of FY11.

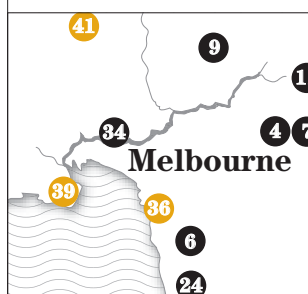


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## 2010

#### Annual Review

This ALE Annual Review has been designed to provide investors and financiers with simple and helpful messages around the past year's results and achievements as well as the priorities, opportunities and challenges for the future.

#### ALE PROPERTY GROUP (ASX: LEP)

ALE Property Group is Australia's largest listed freehold owner of pubs. Established in November 2003, ALE owns a property portfolio of 87 pubs across the five mainland states of Australia. All of the pubs in the portfolio are leased to Australian Leisure and Hospitality Group Limited (ALH). ALH is Australia's largest pub operator and is 75% owned by Woolworths Limited and 25% owned by the Bruce Mathieson Group. Visit the ALE website for more information: [www.alegroup.com.au](http://www.alegroup.com.au).





**PETER WARNE**  
Chairman

## A REVIEW

with Peter Warne, Chairman

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 2010.

### The market

While we note that the capital markets may be somewhat less volatile than the conditions which we faced 12–18 months ago, the funding markets have remained very cautious. Both debt and equity capital appears to now be almost exclusively reserved for those who have higher quality assets and stable businesses.

The refinancings that have occurred in the commercial real estate markets have been at higher credit margins and on more stringent terms and conditions. The banks are also increasingly taking more control of property landlords whose balance sheets are stretched and in some cases pushing for properties to be offered on the market. Looking forward, should higher interest rates materialise, then those landlords and borrowers without interest rate hedging will become even more vulnerable to distressed property sale outcomes.

Refinancings by the banks and CMBS markets have recommenced but are also at higher margins than those facilities put into place prior to 2008. Of some encouragement is that today the margins are materially lower than the heights they climbed to in 2008 and 2009. The market's pricing for smaller value commercial properties was strong during calendar 2009 and today remains that way for higher quality offerings.

### ALE's continuing priorities

ALE's approach to protecting and growing securityholder value continues to be focussed on the following priorities:

- delivering distributions in line with guidance;
- managing our costs at levels lower than our peers;
- ensuring a sustainable capital management position;
- preserving value for all stapled securityholders;
- undertaking acquisitions where value accretive to do so; and
- adopting and executing best practice in all regulatory and compliance matters.

### ALE's response to market conditions

In August 2009 ALE announced a diverse and comprehensive capital management plan that included both an equity raising and a series of property sales. Both aspects of the plan were successfully executed. This was evident in terms of the level of securityholder participation in the capital raising and the competitive (and in one case Australian record setting) prices achieved for the properties sold. The proceeds raised from the plan have been efficiently deployed and of particular note are the full repayment of the NAB debt facility and the discounts achieved on a range of debt security buybacks.



### Financial results

In August 2009, as part of the equity raising, the ALE Board provided investors with guidance of a full year distributable profit of 24.00 cents per security. I am pleased to report that ALE delivered a distributable profit of 24.82 cents and paid distributions totalling 24.00 cents, thereby delivering on the guidance. ALE's property portfolio valuations continued to demonstrate the stability that has become increasingly evident in recent years. Again, ALE remains one of the best performing real estate investment trusts in the market over the nearly seven year period since its listing.

IN AUGUST 2009 AS PART OF THE EQUITY RAISING, THE ALE BOARD PROVIDED INVESTORS WITH GUIDANCE OF A FULL YEAR DISTRIBUTABLE PROFIT OF 24.00 CENTS PER SECURITY. I AM PLEASED TO REPORT THAT ALE DELIVERED A DISTRIBUTABLE PROFIT OF 24.82 CENTS AND PAID DISTRIBUTIONS TOTALLING 24.00 CENTS, THEREBY **DELIVERING ON THE GUIDANCE.**

### Refinancing update

The capital management initiatives outlined above raised \$212 million and allowed ALE to reduce its gearing to levels that are more compatible with the current requirements of secured financiers and listed debt investors in today's capital markets. In addition, ALE has a number of debt facilities maturing in calendar 2011. The \$150 million of maturing ALE Notes were substantially refinanced in March 2010 with a new issue of ASX listed securities known as ALE Notes 2. The Board was delighted with the levels of participation by existing ALE Notes, securityholders as well as new investors. While there was some scaling back of new investor applications, the issue was upsized to cater for the significant demand from existing investors.

ALE continues to work on a refinancing of the senior secured debt on issue. It is anticipated that the refinancing will be completed well before the maturity dates in calendar 2011 and the results will be reported to the market upon completion.

### General commentary and outlook

One of the hallmarks of ALE's continuing outperformance is the discipline it has consistently applied in respect of both acquisitions and divestments of properties. The market for the smaller value properties has remained at strong levels throughout the year and ALE has captured this strength.

In terms of acquisitions, ALE has remained out of the individual property market awaiting larger opportunities to arise. The source of these opportunities is expected to include the higher quality portions of distressed vendors' portfolios. Also we are keen to pursue opportunities for sale and lease back transactions of property portfolios, with high quality corporate groups who may be seeking to diversify their funding solutions and focus on core business.

### Distribution reinvestment plan (DRP)

The Board decided to launch a DRP in August 2008 at a discount of 2.25% to the applicable trading price. Currently around 23% of the securities on issue have elected to participate in the DRP. The Board will give ongoing consideration to the need to balance the convenience it provides securityholders with the capital needs of ALE.

### Thanks to the management team

The task of implementing the capital management initiatives and progressing the refinancing during the past year has fallen on the management team led by Andrew Wilkinson and a very focused group of external advisers. The capital raising, the ALE Notes 2 offer, the debt buybacks and the sales of 17 properties have all proceeded very well. On behalf of the Board, I extend my thanks to the management team for their dedication and extra efforts to complete each of the key initiatives successfully. ALE's strengthened capital position is expected to provide it with a number of acquisition options going forward.

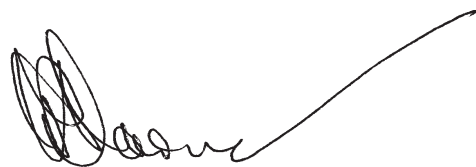
### Corporate governance

ALE's Board and the Audit, Compliance and Risk Management Committee again this year subjected the Company to reviews to ensure that the increasingly higher levels of best practice continue to be met. The Board met a total of 19 times during the year, significantly more often than would be expected for an organisation of this size. This reflected the significant volume of capital management activities undertaken and was in addition to various other committee and due diligence meetings.

I would like to take this opportunity to extend my thanks to my colleagues on the Board and various committees for maintaining these high levels of governance through a year that has required a significantly increased workload.

This year's Annual General Meeting will be held again at the Westin in Sydney on 10 November 2010. A notice of meeting with all necessary information will be sent to stapled securityholders in advance of the meeting.

Thank you for your continuing support this year and I extend my particular gratitude to those of you who chose to participate in the rights issue and ALE Notes 2 raising.



Peter Warne  
Chairman

## FINANCIAL HIGHLIGHTS

ALE has successfully executed a capital management plan over the past year. This has significantly reduced gearing levels and positioned it well to complete a refinancing of its remaining debt.

### ANNUAL HIGHLIGHTS

- Distributions of 24.00 cents per security in line with Board guidance
- Distributable profit of 24.82 cents per security
- Revaluation of property assets to \$713.85 million
- Sale of 17 properties for \$107 million at an average cap. rate of 6.01%
- Completion of \$105 million capital raising
- Completion of \$125 million ALE Notes 2 raising
- Gearing reduced from 68% to 52%

### NOVEMBER 2003 LISTING TO AUGUST 2010 HIGHLIGHTS

ALE continues to outperform. ALE has provided stapled securityholders with an annual compound return of 30.2% p.a. over the past six years and nine months. This exceeds the returns provided to all other S&P/ASX 300 real estate investment trusts over the same period. \$1.00 investment has turned into \$4.49 of accumulated market value over the past six years and nine months.

Growth in market capitalisation*	\$91 million to \$313 million
Distributions paid to August 2010**	\$1.97 (compared to \$1.00 investment)
Accumulated market value***	\$4.49
Total securityholder return****	30.2% p.a.

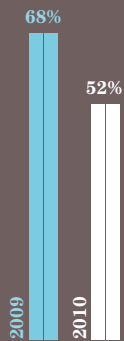
\* Based on current security price of \$2.04.

\*\* Assumes IPO investor at \$1.00 and who received a payment of \$0.41 for renouncing a 2009 right entitlement.

\*\*\* Assumes that all distributions have been reinvested. Accumulated value includes the current market security value of \$2.04.

\*\*\*\* Based on an IPO investor who receives above distributions, rights payment and current security price.



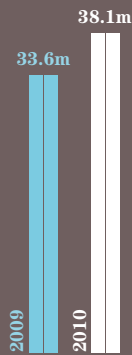


# 52%

### GEARING – REDUCED

ALE has reduced its net gearing from around 68% to 52% by raising capital, selling properties and buying back debt at a discount.

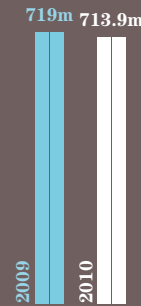
The contractually committed rental income over the next 23 years exceeds ALE's current net debt amount of around \$390 million by more than 2.3 times.



# \$38.1m

### DISTRIBUTABLE PROFIT – INCREASED

ALE's distributable profit increased by 13.4% to \$38.1 million during the year. While it was expected that the increased number of securities arising from the equity raising would reduce the distribution per security, the guidance of 24.00 cents was exceeded by 3.4%. This outcome reflects the additional initiatives including debt buybacks and the other capital management activities.



# \$713.9m

### PROPERTY VALUATIONS – STABLE

ALE sold 12 properties during the year, having sold five in June 2009. The gross proceeds from the 12 sales totalled \$79.5 million. The book value of the 87 properties was stable reducing by only 0.65% to \$713.85 million.

The weighted average capitalisation rate of the 87 properties currently held by ALE is 6.60%, which compares to 6.48% at June 2009.

KEY STATISTICS	FY04	FY05	FY06	FY07	FY08	FY09	FY10	CHANGE
Distributable profit	\$8.0m	\$11.7m	\$14.6m	\$29.4m	\$28.9m	\$33.6m	\$38.1m	+\$4.5m
Number of securities	90.8m	90.8m	90.8m	91.1m	85.8m	87.7m	153.4m	+65.7m
Distribution per security	7.50c	12.85c	16.00c	32.50c	33.60c	30.00c	24.00c	(6.00c)
Number of properties	105	105	106	103	105	100	87	(13)
Property values	\$576.7m	\$651.5m	\$717.6m	\$791.2m	\$842.4m	\$804.8m	\$713.9m	(\$4.7m) <sup>3</sup>
Net gearing <sup>1</sup>						68%	52%	(16%)
Net assets per security <sup>2</sup>	\$1.41	\$2.17	\$2.58	\$3.26	\$2.95	\$2.80	\$2.14	(\$0.66)

<sup>1</sup> Net gearing equals (Finance Debt less cash and cash equivalents) divided by (Total Assets less cash, cash equivalents and Derivative assets).

<sup>2</sup> See additional comments on page 10. Excludes mark to market value of derivatives.

<sup>3</sup> Change is on an 87 property like for like basis.

**ANDREW WILKINSON**

Managing Director

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## A CONVERSATION

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with Andrew Wilkinson, Managing Director

ALE owns a portfolio of unique and high quality property assets that have performed well through the cycle. Over the past year ALE has demonstrated the importance of that quality by successfully progressing a capital management plan that positions it well both for the completion of the refinancing and for profitable future growth.



### What do you regard as the highlights of ALE's past year?

The main highlights for the year included the sale of a small portion of our portfolio at excellent prices and the significant progress with the capital management plan. Seventeen properties were sold and existing securityholders responded very positively to the capital raising in September 2009.

We were also delighted to see the demand from existing and new investors for the listed debt security raising, ALE Notes 2, in April 2010. This was an important step in the refinancing of maturing debt.

A substantial portion of the proceeds that were raised during the year have been deployed efficiently through debt repayment and debt buyback initiatives at discounts that have delivered significant value to securityholders.

### What was the distributable profit for the year?

The ALE Board's distributable profit guidance of 24.00 cents per securityholder at the time of the September 2009 capital raising has been exceeded.

Distributable profit at \$38.1 million (24.82 cents per security) was 13.4% higher than for FY09. The highlights of the distributable profit result include:

- distributable revenue increased by 12.5% despite reducing rental income from the sales of 17 properties;
- debt buyback discounts, interest on cash balances and a 1.3% CPI increase in rent pushed the revenue materially higher;
- net discounts on CIB/CMBS debt buybacks totalled \$6.6 million;
- surplus cash balances were put to work at competitive interest rates on term deposits (rates that were higher than existing borrowing costs);
- lower levels of CPI indexation helped reduce ALE's CPI indexed interest expenses. ALE's intention of matching income and expense growth worked effectively;

- land tax expenses continued to increase due to higher land values and increased tax rates. Further increases will be mitigated by the sales of five Queensland properties during FY10; and
- distribution paid for FY10 is around 42% discounted capital gain, 31% capital gains tax concessional and 27% taxable.

**GIVEN THE RANGE OF CAPITAL MANAGEMENT ACTIVITIES PLANNED, THE BOARD AND MANAGEMENT WERE PARTICULARLY PLEASED TO EXCEED THE DISTRIBUTABLE PROFIT GUIDANCE.**

### What was behind the capital management plan and what have been the main achievements?

The Board announced in August 2009 that it would target a reduced level of gearing. A measured and balanced capital management plan was announced which sought the sale of some lower return properties as well as the raising of a measured amount of equity. Those proceeds would then seek to fund a buyback of debt at a discount. These steps have now been taken.

In terms of the \$105 million capital raising, the highlights include

- a 90% take up from existing retail securityholders;
- \$7.3 million was paid to existing securityholders who decided not to participate;
- 100% of applications for over subscriptions were allocated to existing securityholders at the clearing price of \$1.91; and
- to protect value, the placement of \$29 million to institutions at \$2.25 compared favourably to the rights issue of \$76 million to securityholders at \$1.50.

Highlights from property sales include

- 17 properties were sold between June 2009 and March 2010, reducing the portfolio to 87;
- the sales generated \$107.3 million (\$27.8m in FY09 and \$79.5 million in FY10);



**\$11.0m**

**Sunnybank Hotel** in Brisbane sold for \$11.0m in October 2009. The sale price represents an Australian freehold pub record low capitalisation rate of 4.19% after including land tax payable by ALE.



## A CONVERSATION

with Andrew Wilkinson, Managing Director  
{Continued}

- a weighted average sale cap. rate of 6.01% was achieved. This compares favourably to June 2010 average book cap. rate of 6.60%;
- achieved a record breaking low sale cap. rate of 4.19% for the Sunnybank Hotel, Brisbane, Queensland; and
- all 17 properties were sold to individual private investors.

Highlights of the discounted debt buyback and debt repayments include

- \$101.3 million of CIB/CMBS bought back at an average 6.7% discount to their face value, with discounts of up to 22.1%;
- \$55 million of bank debt was repaid in May 2010; and
- \$65.7 million of ALE Notes have been acquired through buybacks at attractive prices.

A number of ALE's debt providers appreciated the liquidity that the various buyback programs provided.

### Have ALE's property valuations been stable this year?

Over the past year, the valuation of and income from ALE's property portfolio has remained strong, despite an unstable economic environment. This is evidence of the high quality of the properties, long term lease arrangements and the strength of the tenant ALH.

ALH has grown its presence in the hospitality market considerably over the past six years. ALH currently operates over 280 licensed venues and over 450 retail liquor outlets across Australia. As the leading pub operator in the country it has significantly increased its profitability since its acquisition by a joint venture of Woolworths Limited and members of the Bruce Mathieson Group. For the year ending 30 June 2010, the ALH Group reported sales of \$1.1 billion.

Over the past year the valuations of ALE's 87 continuing properties have reduced by 0.65% or \$4.66 million to \$713.85 million. The June 2010 average book capitalisation rate was 6.60%.

ALE CONSIDERS THIS TO BE A RELATIVELY STABLE VALUATION OUTCOME GIVEN THE ONGOING VOLATILITY IN THE WIDER MARKETS. THE AVERAGE CAPITALISATION RATE REPRESENTS A MARGIN OF AROUND 4% P.A. OVER THE GOVERNMENT'S REAL RATE BENCHMARKS.

An independent valuer, Urbis, has noted that there was a volume of comparable recent sales evidence, including the 17 sales by ALE. Urbis also noted evidence of continuing levels of demand from individual private investors for smaller value high quality properties like ALE's. The 87 continuing properties have an average value of \$8.21 million. Sixty of those properties are valued at less than \$10 million each.

### What is the right level of net gearing for ALE?

ALE seeks regular advice from advisers, but also consults with both securityholders and financiers. At the time of ALE's 2003 ASX listing, gearing was around 87%. As a result of ALE's commitment to capital management, during FY10 net gearing has reduced from 68.3% to 52.1%. This reduction in net gearing is clearly depicted in the chart on page 10. It also shows that the risk position taken by each of the different groups of financiers has been reduced materially.

The proceeds of the property sales and capital raising have effectively replaced the ALE Notes in the capital structure.

Improvements in the credit markets and ALE's relatively stable valuation performance 'through the cycle' have allowed the Board to form a view that net gearing at around 55% is currently acceptable.

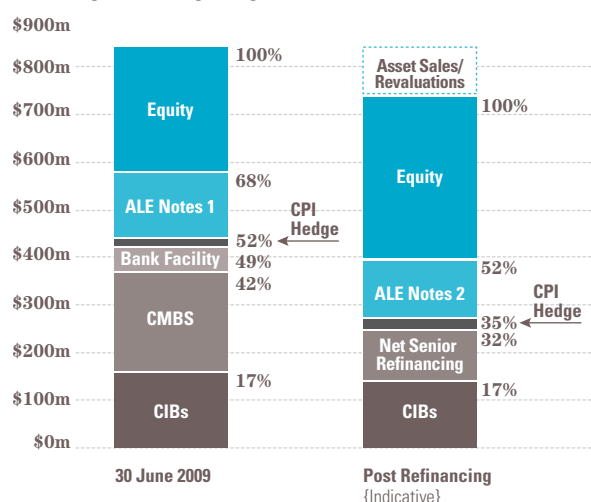
The credit quality of ALH, the remaining term and structure of the lease, and the underlying profitability of ALH's operations provide good reasons for the current net gearing level.

## A CONVERSATION

with Andrew Wilkinson, Managing Director  
{Continued}

### Changes in Capital Structure

Delivering lower net gearing



Another measure of comfort is the quantum of contractually committed rental income over the remaining initial term of the lease. Before the impacts of CPI increases, lease extensions, market reviews, land tax payments or management costs, ALH is committed to pay around \$910 million over the next 23 years. With proper adjustments for the time value of money, this compares favourably to current net debt of around \$390 million.

It should also be noted that the properties' average capitalisation rates would have to increase from 6.60% to 8.62% before any of the current debt covenants are met.

#### What is the status of ALE's refinancing plans?

Property sales and a capital raising together totalling \$212.3 million have reduced net debt to around \$390 million and net gearing from 68.3% to 52.1%.

The successful \$125 million issue of ASX listed debt securities, ALE Notes 2, in April 2010 was an important part of the refinancing as it currently funds up to a 52.1% net gearing level.

On the expectation that the \$126 million of Capital Indexed Bonds will remain in place, a refinancing of around \$190 million of senior secured debt will be required. It is expected to be completed before the scheduled debt maturities of May and September 2011. The new senior debt is expected to fund up to around a 35% net gearing level. Consideration is also being given to a restructuring of the CPI Hedging as part of the refinancing process. The consistent feedback received from a range of financiers in recent months has been very encouraging in terms of both increasing demand and improving credit margins.

ALE will continue to work with its advisers and financiers to deliver a competitive refinancing outcome during FY11.

#### What have been the impacts on net assets over the past year?

The pricing of the capital raising was structured to protect the existing investors' net assets position. The pricing of the \$76 million rights issue at \$1.50 and the renounceable rights arrangements were designed to minimise capital value dilution from the \$29 million placement to a range of institutional investors at the higher price of \$2.25. Effectively, a significant portion of the reduction in net assets has been captured by existing securityholders.

The other components of net assets movements include the impacts of the property sales, changes in the value of properties and derivatives as well as discounts on debt buybacks.

The \$33.92 million or a 22 cents per security reduction in the net asset value of derivatives (or hedges) results from the movement in rates over the year and represents an unrealised value position that can move to higher or lower values over time. In the event that the hedges run for their full term, the value will necessarily revert back to zero. If the hedges are terminated, there may be the opportunity for different hedged rates going forward.



**SOLD****\$6.0m**

**Albion Hotel** in Brisbane sold for \$6.0m in October 2009. The sale price represented a capitalisation rate of 5.85% after including land tax payable by ALE.

## A CONVERSATION

with Andrew Wilkinson, Managing Director  
{Continued}

### How has securityholder value grown?

ALE has outperformed all other A-REITs in the ASX/S&P 300 over the past five years and also over the past six years and nine months since its ASX listing. An investment in ALE has delivered a compounded annual total return of 30.2% p.a. since listing.

An investor who invested \$1.00 in an ALE security at the time of its ASX listing and then received \$0.41 by renouncing their rights has received an accumulated value of \$4.49\* which includes current market value, reinvested payments for renouncing and distributions over the period.

### What are the next steps for the Vale Hotel court matter?

In early 2008, ALH commenced proceedings in the Supreme Court of Victoria in relation to the lease over the Vale Hotel in Mulgrave, Victoria. On 16 December 2009, Justice Judd delivered judgment in the proceedings which endorsed ALE's interpretation of the relevant provisions of the lease. On 23 April 2010, Justice Judd delivered judgment on and made orders reflecting the findings set out in the judgment of 16 December 2009, including an order that ALH pay ALE's costs. ALH is now appealing the 23 April 2010 judgment and orders to the Victorian Court of Appeal. ALE is confident that it will succeed in having ALH's appeal dismissed and looks forward to the Victorian Court of Appeal confirming the position. The appeal is expected to be heard in late calendar 2011.

### What is the outlook for distributions for the coming financial year?

In September 2009, as part of the capital raising, ALE provided annualised guidance of 22.00 cents per security for FY10 (excluding the part year impacts of the capital raising and property sales). The annualised distribution guidance was based upon the current hedging arrangements and average credit margin of 0.55% that applied to the circa \$300 million of debt to be refinanced.

The interest rate on the ALE Notes 2 (at BBSW plus 4.0% margin) is expected to increase interest expenses and reduce the FY11 distributable profit. The completion of the final step in the refinancing plan could also have a part year impact.

\* Assumes current market price of \$2.04 and reinvestment of distributions.

To be prudent, further FY11 distributable profit guidance will be provided on completion of the refinancing.

### What are the prospects for acquisitions moving forward?

Discipline will be maintained and the criteria continue to include:

- quality tenant covenant with diverse, sustainable and profitable operations in a number of Australian capital city locations;
- long-term triple net lease with indexed rental structure, where the development risks are assumed by the tenant;
- smaller value properties that are attractive to a range of investors; and
- properties (including pubs) that will remain strategically important to the tenants' core operations.

**ALE WILL CONTINUE TO POSITION ITSELF TO CONSIDER QUALITY OPPORTUNITIES THAT PROVIDE A SUFFICIENTLY ATTRACTIVE PREMIUM TO THE COST OF ADDITIONAL FUNDING.**

### Any closing remarks?

ALE decided on a capital management strategy and implementation program around a year ago. While we can now look back and acknowledge that some important milestones have been passed, we do so knowing that the completion of the refinancing task remains a high priority over the remainder of FY11.

The capital management plan and completion of the refinancing are expected to result in ALE being well placed to continue to consider acquisitions that are strategically sensible as well as value accretive.



Andrew Wilkinson  
Managing Director



## MANAGEMENT TEAM



1

### ANDREW WILKINSON

BBus, CFTP, MAICD  
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.

Andrew has over 30 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers, and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

2

### 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.

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

3

### BRENDAN HOWELL

BEc, GDipAppFin  
COMPANY SECRETARY AND  
COMPLIANCE OFFICER

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 19 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 10 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.

4

### ANDREW SLADE

BEc (Actuarial Studies)  
CAPITAL MANAGER

Andrew joined ALE in July 2005. He has 20 years' experience in investment banking and structured finance.

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. Andrew has also acted as principal of Slade Financial Consulting, where he has provided advice on structured property and asset based financing arrangements for public and private sector projects. Andrew has a Bachelor of Economics degree, majoring in Actuarial Studies, from Macquarie University.







**\$8.9<sub>m</sub>**

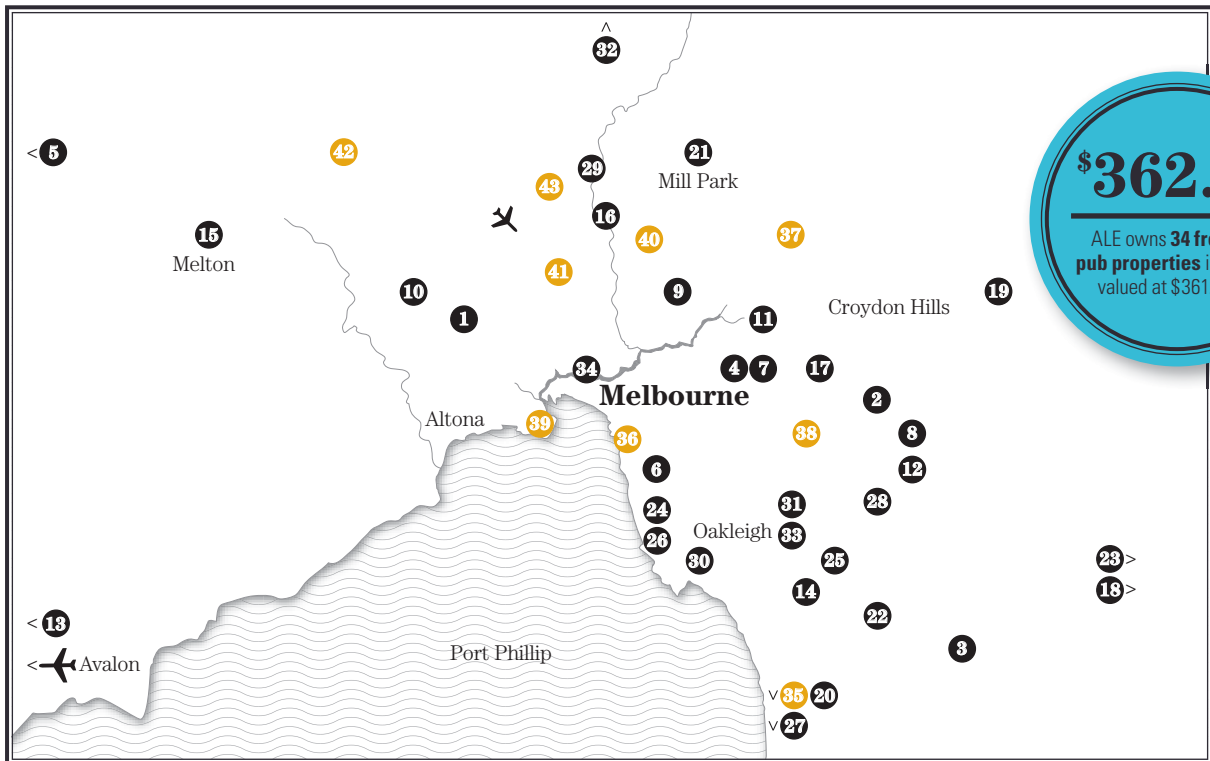
**Young & Jackson Hotel**, valued at \$8.9m, remains by any measure 'one of Melbourne's iconic institutions'. It is famous for a vast array of boutique beers and has recently added a rooftop beer garden.



## VICTORIA

Property portfolio

Great pubs ... many located on the main roads of Melbourne within 30km of the CBD. The Victorian portfolio is strategically positioned for what is expected to be a very profitable future.



<ol style="list-style-type: none"> <li>1. ASHLEY HOTEL, Braybrook</li> <li>2. BAYSWATER HOTEL, Bayswater</li> <li>3. BERWICK INN, Berwick</li> <li>4. BLACKBURN HOTEL, Blackburn</li> <li>5. BLUE BELL HOTEL, Wendouree</li> <li>6. BOUNDARY HOTEL, East Bentleigh</li> <li>7. BURVALE HOTEL, Nunawading</li> <li>8. CLUB HOTEL, Ferntree Gully</li> <li>9. CRAMERS HOTEL, Preston</li> <li>10. DEER PARK HOTEL, Deer Park</li> <li>11. DONCASTER INN HOTEL, Doncaster</li> <li>12. FERNTREE GULLY HOTEL &amp; MOTEL, Ferntree Gully</li> </ol>	<ol style="list-style-type: none"> <li>13. GATEWAY HOTEL, Corio</li> <li>14. KEYSBOROUGH HOTEL, Keysborough</li> <li>15. MAC'S HOTEL, Melton</li> <li>16. MEADOW INN HOTEL, Fawkner</li> <li>17. MITCHAM HOTEL, Mitcham</li> <li>18. MORWELL HOTEL, Morwell</li> <li>19. OLINDA CREEK HOTEL, Lilydale</li> <li>20. PIER HOTEL, Frankston</li> <li>21. PLOUGH HOTEL, Mill Park</li> <li>22. PRINCE MARK HOTEL, Doveton</li> <li>23. ROYAL EXCHANGE HOTEL, Traralgon</li> <li>24. SANDBELT HOTEL, Moorabbin</li> </ol>	<ol style="list-style-type: none"> <li>25. SANDOWN PARK HOTEL, Noble Park</li> <li>26. SANDRINGHAM HOTEL, Sandringham</li> <li>27. SOMERVILLE HOTEL, Somerville</li> <li>28. STAMFORD INN HOTEL, Rowville</li> <li>29. SYLVANIA HOTEL, Campbellfield</li> <li>30. TUDOR INN HOTEL, Cheltenham</li> <li>31. THE VALE HOTEL, Mulgrave</li> <li>32. VICTORIA HOTEL, Shepparton</li> <li>33. VILLAGE GREEN HOTEL, Mulgrave</li> <li>34. YOUNG &amp; JACKSON HOTEL, Melbourne</li> </ol>	<p>● <b>SOLD PROPERTIES</b> (since June 2009)</p> <ol style="list-style-type: none"> <li>35. DAVEY'S HOTEL, Frankston</li> <li>36. ELSTERNWICK HOTEL, Elwood</li> <li>37. ELTHAM HOTEL, Eltham</li> <li>38. MOUNTAIN VIEW HOTEL, Glen Waverley</li> <li>39. RIFLE CLUB, Williamstown</li> <li>40. ROSE SHAMROCK, Reservoir</li> <li>41. ROYAL HOTEL, Essendon</li> <li>42. ROYAL HOTEL, Sunbury</li> <li>43. WESTMEADOWS TAVERN, Westmeadows</li> </ol>
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\* as at 30 June 2010





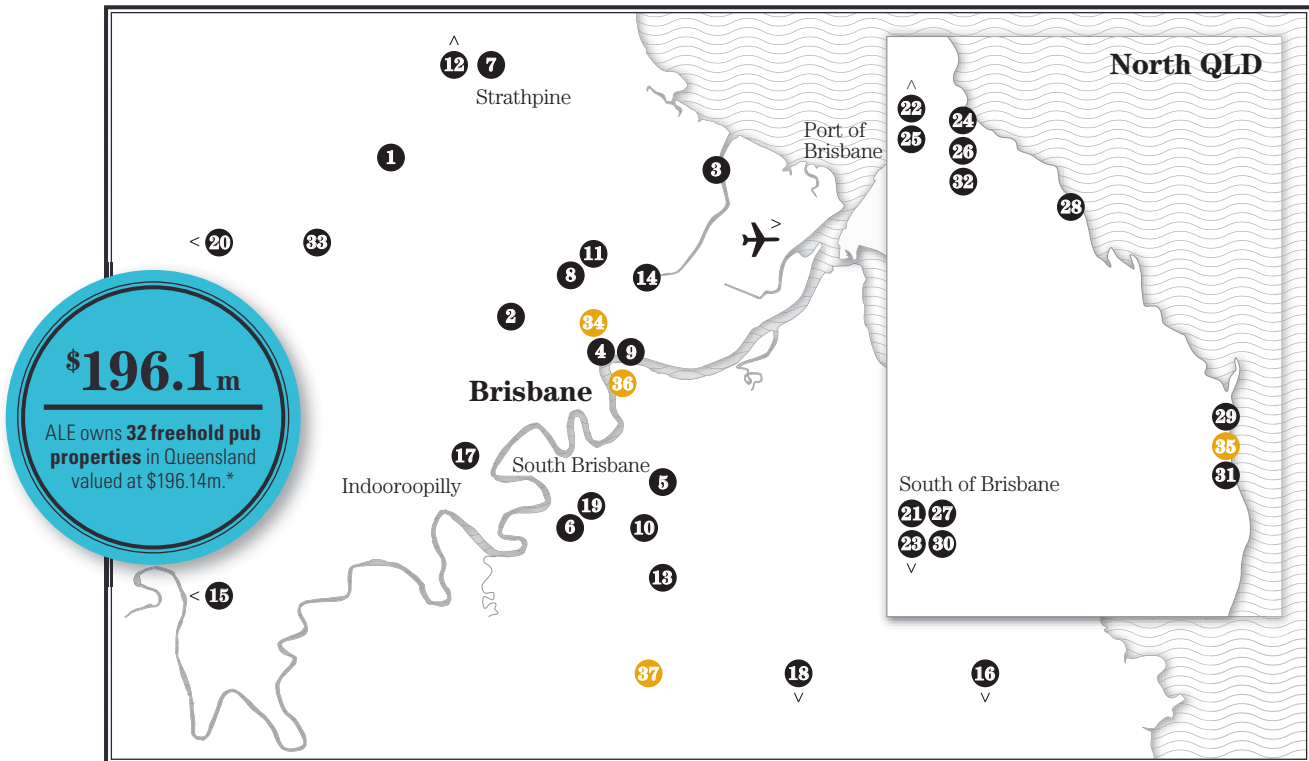
**\$11.8<sub>m</sub>**

**The Breakfast Creek Hotel**  
is valued at \$11.76m and  
is arguably the best known  
pub in Australia.

## QUEENSLAND

Property portfolio

Located in some of the best suburbs of Brisbane, 'the Creek', 'the Hamo' and 'the RE at Toowong' are but a sample of the quality holdings in the ALE stable. Additionally, a number of Gold Coast pubs supplement the portfolio.



### QUEENSLAND CITY (including Brisbane city and suburban locations)

1. ALBANY CREEK TAVERN, Albany Creek
2. ALDERLEY ARMS HOTEL, Alderley
3. BANYO TAVERN, Nudgee
4. BREAKFAST CREEK HOTEL, Breakfast Creek
5. CAMP HILL HOTEL, Camp Hill
6. CHARDONS CORNER HOTEL, Annerly
7. FOUR MILE CREEK HOTEL, Strathpine
8. EDINBURGH CASTLE HOTEL, Kedron
9. HAMILTON HOTEL, Hamilton

10. HOLLAND PARK HOTEL, Holland Park
11. KEDRON PARK HOTEL, Kedron Park
12. LAWNTON TAVERN, Lawnton
13. MT GRAVATT HOTEL, Mt Gravatt
14. PRINCE OF WALES HOTEL, Nundah
15. RACEHORSE HOTEL, Booval
16. REDLAND BAY HOTEL, Redland Bay
17. ROYAL EXCHANGE HOTEL, Toowong
18. SPRINGWOOD HOTEL, Springwood
19. STONES CORNER HOTEL, Stones Corner

20. WILSONTON HOTEL, Toowoomba

### QUEENSLAND COAST

21. ANGLERS ARMS HOTEL, Southport
22. BALACLAVA HOTEL, Cairns
23. BURLEIGH HEADS HOTEL, Burleigh Heads
24. DALRYMPLE HOTEL, Townsville
25. EDGE HILL TAVERN, Cairns
26. KIRWAN TAVERN, Townsville
27. MIAMI HOTEL, Miami
28. MOUNT PLEASANT TAVERN, Mackay
29. NOOSA REEF HOTEL, Noosa Heads

30. PALM BEACH HOTEL, Palm Beach
31. PELICAN WATERS, Caloundra
32. THE VALE HOTEL AND AIKENVALE MOTEL, Townsville

33. FERNY GROVE TAVERN, Ferny Grove resumed in June 2010.

### ● SOLD PROPERTIES (since June 2009)

34. ALBION HOTEL, Albion
35. CALOUNDRA HOTEL, Caloundra
36. OXFORD 152 HOTEL, Bulimba
37. SUNNYBANK HOTEL, Sunnybank

\* as at 30 June 2010





\$11.8<sub>m</sub>

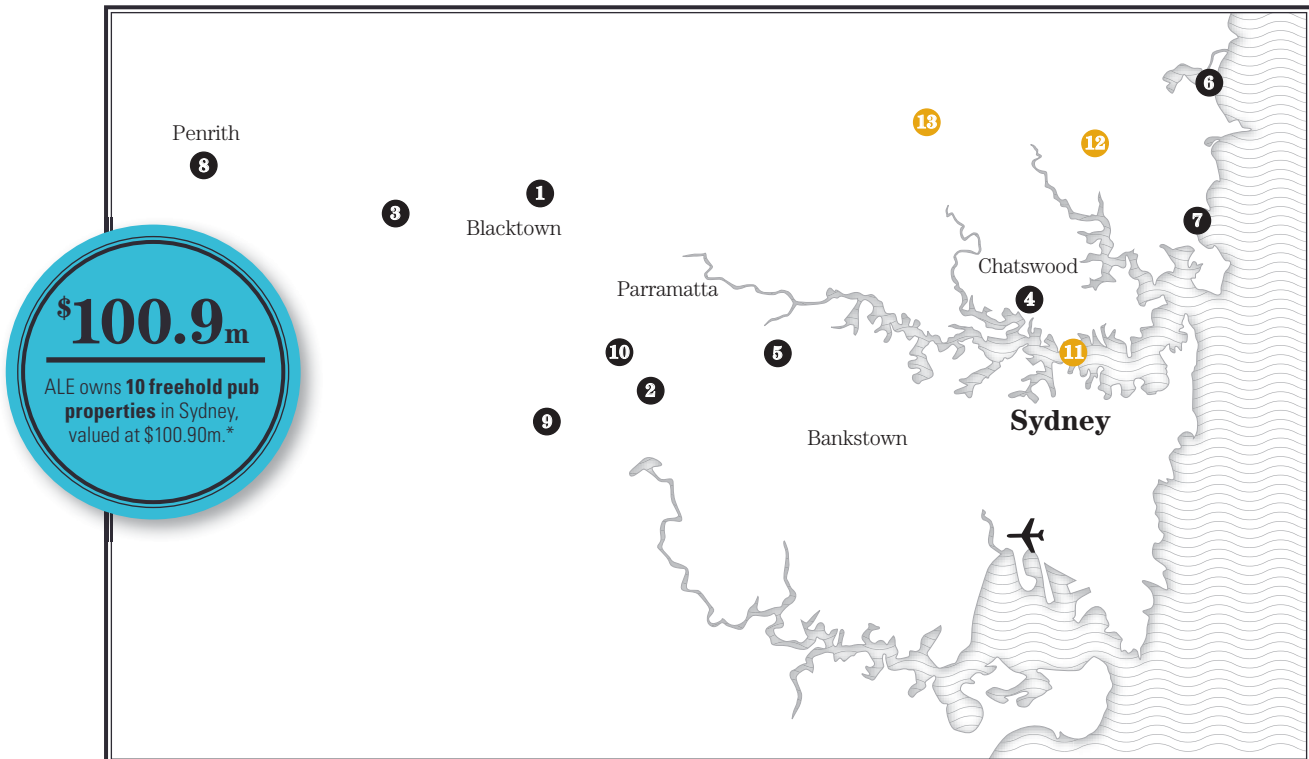
The Crow's Nest Hotel is valued at \$11.75m and is on a strategically located site on a major intersection on Sydney's lower north shore. 'The Crowie'.



## NEW SOUTH WALES

Property portfolio

While the number of pubs owned is lower than in other states, Sydney certainly makes up the difference with its very well known 'watering holes' in quality locations. 'The Crowie' and the New Brighton are two prime examples.



1. BLACKTOWN INN HOTEL, Blacktown
2. BROWN JUG HOTEL, Fairfield Heights
3. COLYTON HOTEL, Colyton
4. CROWS NEST HOTEL, Crows Nest
5. MELTON HOTEL, Auburn
6. NARRABEEN SANDS HOTEL, Narrabeen

7. NEW BRIGHTON HOTEL, Manly
8. PIONEER TAVERN, Penrith
9. PRITCHARD'S HOTEL, Mt Pritchard
10. SMITHFIELD HOTEL, Smithfield

● **SOLD PROPERTIES**  
(since June 2009)

11. KIRIRIBILLI HOTEL, Kirribilli
12. PARKWAY HOTEL, Frenchs Forest
13. PYMBLE HOTEL, Pymble



*The New Brighton at Manly has been approved for a major renovation. ALH will spend more than \$10 million completely refurbishing the property for completion by late 2011.*

\* as at 30 June 2010

## SOUTH AUSTRALIA

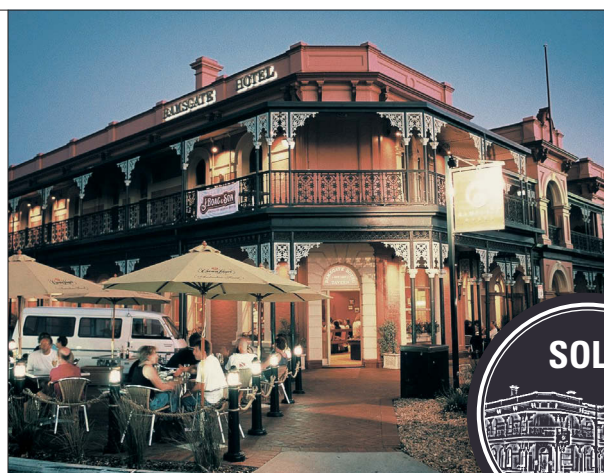
Property portfolio

ALE has sold two pubs in Adelaide over the past year. Solid prices were achieved for both. This demonstrated that a strong tenant covenant as well as the location are important to the realisable value of ALE's hotels.



1. ABERFOYLE HUB TAVERN, Aberfoyle Park
2. EUREKA HOTEL, Salisbury
3. EXETER HOTEL, Exeter
4. FINSBURY HOTEL, Woodville North
5. GEPPS CROSS HOTEL, Blair Athol
6. HENDON HOTEL, Royal Park
7. STOCKADE TAVERN, Salisbury

- **SOLD PROPERTIES**  
(since June 2009)
8. ENFIELD HOTEL, Clearview
  9. RAMSGATE HOTEL, Henley Beach



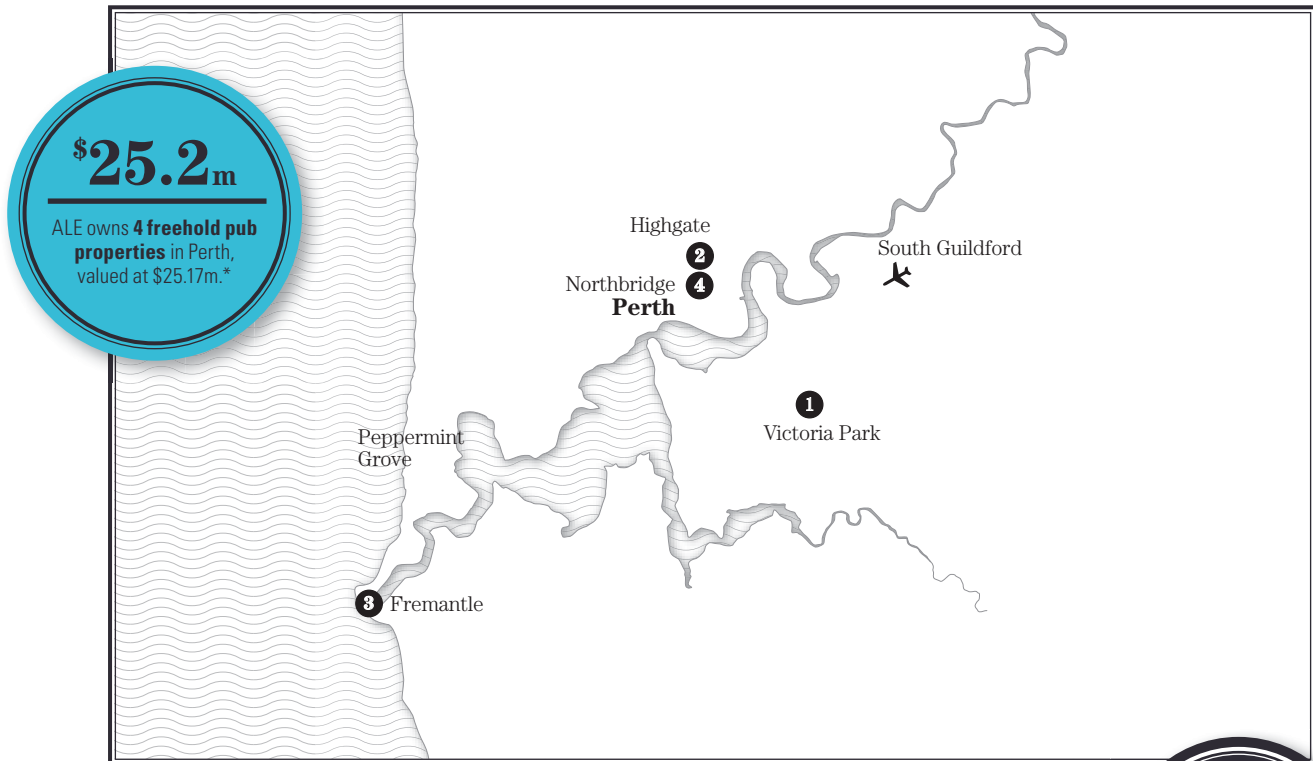
Ramsgate Hotel at Henley Beach was sold in October 2009 for \$5.85 million and represented a capitalisation rate of 6.61%.

\* as at 30 June 2010

## WESTERN AUSTRALIA

Property portfolio

ALE owns four hotels in Perth. The Brass Monkey is minutes from the CBD and the others are all well established pubs in great locations.



- 1. BALMORAL HOTEL, Victoria Park
- 2. QUEENS TAVERN, Highgate
- 3. SAIL AND ANCHOR HOTEL, Fremantle
- 4. THE BRASS MONKEY, Northbridge



*Sail and Anchor Hotel, Fremantle, is a heritage landmark building in the historic port city of Fremantle.*

\* as at 30 June 2010



## BOARD OF DIRECTORS



1

### PETER H WARNE

BA

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Peter was appointed as Chairman and a 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 three other listed entities, being ASX Limited, Macquarie Group Limited and WHK Group 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.

2

### ANDREW WILKINSON

BBus, CFTP, MAICD

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.

Andrew has over 30 years' experience in banking, corporate finance and funds management. He was previously a corporate finance partner with PricewaterhouseCoopers and spent 15 years in finance and investment banking with organisations including ANZ Capel Court and Schroders.

3

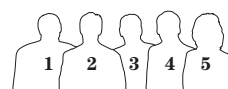
### JOHN HENDERSON

BBldg, MRICS, AAPI

NON-EXECUTIVE DIRECTOR

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.



4

**JAMES McNALLY**

BBus (Land Economy), DipLaw

**EXECUTIVE DIRECTOR**

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

James has over 16 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.

5

**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 member of the Local Government Remuneration Tribunal for NSW and until recently was the member of the Statutory and Other Offices Remuneration Tribunal. Prior appointments include the Boards of Sydney Harbour Foreshore Authority and subsidiaries, 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.

**DAVID LAWLER**

BBus, CPA

**INDEPENDENT MEMBER OF THE AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE (ACRMC)**

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.

**BRENDAN HOWELL**

BEc, GDipAppFin (Sec Inst)

**COMPANY SECRETARY**

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 19 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 10 years Brendan has been directly involved with MIA Services Pty Limited, a company which specialises in funds management compliance, and acts as an independent consultant and external compliance committee member for a number of property, equity and infrastructure funds managers. Brendan also acts as an independent director for several unlisted public companies, some of which act as responsible entities.

## CORPORATE GOVERNANCE

The Board of Directors of Australian Leisure and Entertainment Property Management Limited (ALE) is accountable to stapled securityholders 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 2010.

### 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 Capital Manager, Property Manager, Finance Manager and 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. Overseeing and monitoring organisational performance and the achievement of ALE's strategic goals and objectives;
8. Monitoring financial performance and liaising with ALE's external auditor;
9. Reviewing and ratifying systems of internal compliance and control, codes of conduct and legal compliance;
10. Reviewing capital management strategy formulation including equity raisings, 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 securityholders;
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 securityholders, 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 any changes in 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 in the Annual Report.

The Board appoints a specialist governance adviser every three years to review the performance of the Board and that of directors. The Chairman of the Board undertook a review of the Board's performance during the June quarter of 2010.

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.

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

### Independent professional advice

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



### **Ethics and conduct**

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

### **Audit, Compliance and Risk Management Committee (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 ACRMC 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 in the Annual Report.

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 that review, BDO reported to the Committee in June 2010 that the standard of controls was assessed as satisfactory.

### **Board and executive remuneration**

Details of Board and executive remuneration are set out in the Directors' Report in the Annual Report.

### **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 of Next Financial Limited (Next Financial) which acts as an Investment Manager. Next Financial holds on behalf of its clients 2,483,714 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 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 has been appointed as chairman of the Committee. The other members of the Committee are Helen Wright and John Henderson.

Details of members and meetings held are set out in the Directors' Report in the Annual Report.

### **Nominations Committee**

In June 2010, the Board established a Nominations Committee composed of three non-executive independent directors. Peter Warne has been appointed as Chairman of the Committee. The other members of the Committee are Helen Wright and John Henderson.

One of the responsibilities of the Committee is to recommend to the Board a policy on Board Renewal and Appointment of Directors, and Diversity for the ALE Property Group, consistent with recent changes to the ASX Corporate Governance Principles and Recommendations.

### **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.

## CORPORATE GOVERNANCE

{Continued}

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, ALE Notes 2 or any derivatives based on either of these (collectively, ALE Securities) is not provided to anyone who may be influenced to subscribe for, buy or sell ALE Securities.

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

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

All directors or employees are entitled to participate in the distribution reinvestment plan on the same terms as other securityholders, except where the Distribution Reinvestment Plan is partly or wholly satisfied by an on-market buyback of ALE Securities, in which case directors and employees are precluded from participating.

In accordance with provisions of the Corporations Act 2001 and the Listing Rules of the ASX, ALE advises 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;
- 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 in the Annual Report.

### Investor relations

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

ALE has a policy that securityholders 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 securityholders 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](http://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 and interest payments

Distributions are paid to stapled securityholders every six months.

Interest payments are paid to ALE Notes holders every six months until they are fully repaid.

Interest payments are paid to ALE Notes 2 holders every three months until they are fully repaid.

### ASX Corporate Governance Council Principles

ALE has adopted best practice corporate governance principles consistent with the ASX Corporate Governance Council Principles and Recommendations. In June 2010 ALE formed a Nominations Committee to assist the Board in addressing recent amendments to the ASX Corporate Governance Principles and Recommendations. Prior to these ASX amendments, the Board had determined that it did not require a separate Nominations Committee given the number of staff employed and the size of the Board, and that the Board would fulfil these functions.

## SECURITYHOLDER INFORMATION

The equity holder information set out below was applicable as at 11 August 2010.

### A. Distribution of equity securities

Analysis of number of equity securityholders by size of holding:

Range	Total holders	Units	% of Issued Capital
1 – 1,000	241	120,231	0.08
1,001 – 5,000	856	2,773,680	1.81
5,001 – 10,000	720	5,653,955	3.69
10,001 – 100,000	1,470	40,597,893	26.47
100,001 and over	104	104,208,812	67.95
<b>Rounding</b>			0.00
<b>Total</b>	<b>3,391</b>	<b>153,354,571</b>	<b>100.00</b>

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

### B. Top 20 Equity securityholders

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

Rank	Name	Units	% of Units
1.	Woolworths Limited	17,076,936	11.14
2.	HSBC Custody Nominees (Australia) Limited	13,373,233	8.72
3.	J P Morgan Nominees Australia Limited	11,413,210	7.44
4.	UBS Nominees Pty Ltd – PB Seg Account	10,963,441	7.15
5.	National Nominees Limited	8,387,684	5.47
6.	Citicorp Nominees Pty Limited	5,144,809	3.35
7.	ABN AMRO Clearing Sydney Nominees Pty Ltd – Settlement Account	4,199,544	2.74
8.	Lady Jean Falconer Griffin	2,788,709	1.82
9.	Citicorp Nominees Pty Limited – CFS WSLE Property Securities Account	2,502,818	1.63
10.	UBS Wealth Management Australia Nominees Pty Ltd	2,114,246	1.38
11.	Melic Pty Limited – The Melic Unit Account	2,027,246	1.32
12.	Neasham Holdings Pty Ltd – Neasham Account	1,275,000	0.83
13.	Argo Investments Limited	1,215,000	0.79
14.	Sandhurst Trustees Ltd – JM Asset Management Account	1,128,358	0.74
15.	HSBC Custody Nominees (Australia) Limited – Account	1,000,100	0.65
16.	Merlor Holdings Pty Ltd – Basserabie Family Settlement Account	888,567	0.58
17.	ABN AMRO Clearing Sydney Nominees Pty Ltd – Next Custodian Account	818,176	0.53
18.	BT Portfolio Services Limited – Caergwrlle Invest P/L Account	745,787	0.49
19.	Fordholm Investments Pty Ltd – Fordholm Super Fund Account	550,000	0.36
20.	Citicorp Nominees Pty Limited – CFSIL Cwlth Property 2 Account	531,827	0.35
<b>Totals: Top 20 holders of STAPLED SECURITIES (TOTAL)</b>		<b>88,144,691</b>	<b>57.48</b>
<b>Total Remaining Holders Balance</b>		<b>65,209,880</b>	<b>42.52</b>



## SECURITYHOLDER INFORMATION

{Continued}

### C. Substantial holders

Substantial holders of ALE (as per notices received as at 11 August 2010) are set out below:

Stapled securityholder	Number held	Percentage of voting rights %
Woolworths Limited	17,076,936	11.14
Orbis MIS – Orbis/SM Australian Equity Fund	15,375,568	10.03
Caledonia (Private) Investments Pty Ltd	10,840,157	7.07
Commonwealth Bank of Australia (Colonial)	8,824,024	5.75

### D. Voting rights

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

#### (a) Stapled securities

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

#### (b) NIVUS

Each NIVUS entitles the Company one vote at a meeting of the Trust. 9,080,000 NIVUS have been issued by the Trust to the Company and 153,354,571 units have been issued by the Trust to stapled securityholders.

The NIVUS therefore represent 5.6% of the voting rights of the Trust.

# INVESTOR INFORMATION

## 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, its ALE Notes are listed under ASX code: LEPHB and its ALE Notes 2 are listed under ASX code: LEPHC.

## Distribution reinvestment plan

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

## Electronic payment of distributions

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

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

## Publications

The Annual Review and Annual Report are the main sources of information for stapled securityholders. In August each year, the Annual Review, Annual Report and Full Year Financial Report, and in February each year, the Half-Year Financial Report are released to the ASX and posted on the ALE website. The Annual Review is mailed to stapled securityholders unless we are requested not to do so. The 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 stapled securityholders 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](http://www.alegroup.com.au), is a useful source of information for stapled securityholders. It includes details of ALE's property portfolio, current activities and future prospects. ASX announcements are also included on the site on a regular basis.

## 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.

## Securityholder enquiries

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

## Major Australian Securities Exchange (ASX) Announcements 2010

17 August	Full Year results released
29 July	Property valuations stable
17 June	Full Year distribution of 24.00 cents declared
16 June	\$52m of ALE Notes bought back
11 May	ALH appeals Vale Hotel matter
29 April	ALE Notes 2 issue of \$125m completed
24 March	Sale of Oxford 152, Brisbane property
8 March	Caledonia increases substantial holding
26 February	Half Year distribution payment date
24 February	Sale of four Melbourne properties
19 February	Half Year Results Announcement
4 January	Caledonia becomes substantial holder

## 2009

16 December	Vale Hotel judgement in ALE's favour
1 December	\$49m debt securities buyback
4 November	AGM
30 October	CPI Hedging update
14 October	Sale of Caloundra property
7 October	Six properties sold for \$36.8m
4 September	Completion of \$105m capital raising
1 September	Orbis increases substantial holding
5 August	Launch of capital raising
5 August	Full Year results released

For emailed updates, visit the ALE website and join 'Email Alerts' at [www.alegroup.com.au](http://www.alegroup.com.au)



**Registered Office** Level 7, 1 O'Connell Street, Sydney NSW 2000 ☎ (02) 8231 8588 **Company Secretary** Mr Brendan Howell, Level 7, 1 O'Connell Street, Sydney NSW 2000 ☎ (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** Computershare Investor Services Pty Ltd, Reply Paid GPO Box 7115, Sydney NSW 2000 📠 Level 3, 80 Carrington Street, Sydney NSW 2000 ☎ 1300 302 429 📞 (02) 8235 8150 @ [www.computershare.com.au](http://www.computershare.com.au)

