

## Appendix 4D

### Half-year Report Six Months Ended 31 December 2014

Name of entity

**ALE PROPERTY GROUP**

ABN or equivalent company reference

**Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278  
and Australian Leisure and Entertainment Property Trust ARSN 106 063 049**

Half yearly (tick)	Preliminary final (tick)	Half-year ended ('current period'):
✓		<b>31 December 2014</b> (previous corresponding period 31 December 2013)

#### Results for announcement to the market

	<b>6 months to 31 December 2014</b>	6 months to 31 December 2013	Variance %
	<b>A\$'000</b>	A\$'000	
Rental revenue	<b>27,412</b>	26,932	1.78%
Total income	<b>44,830</b>	45,149	(0.71%)
Profit / (Loss) from ordinary activities after income tax, attributable to security holders	<b>21,837</b>	27,730	(21.25%)
Profit before income tax, fair value adjustments, amortisation of prepaid costs and other non-cash items	<b>14,418</b>	16,505	(12.64%)
Total available for distribution	<b>14,418</b>	16,505	(12.64%)
Distribution payable for the half-year	<b>16,438</b>	16,048	2.44%
Available and under/(over) distributed at the half-year (paid from accumulated undistributed profits from prior periods)	<b>(2,020)</b>	457	-

#### Dividends (distributions)

	<b>6 months to 31 December 2014</b>	6 months to 31 December 2013	Variance %
	<b>Cents</b>	Cents	
December half-year interim distribution	<b>8.40</b>	8.20	2.44%
Franked amount per share	<b>0.00</b>	0.00	-
Record date for distribution entitlement	31 December 2014		
Interim distribution will be paid	5 March 2015		
The distribution will be 100.00% tax deferred			

## Net tangible assets per security

	<b>6 months to 31 December 2014</b>	6 months to 31 December 2013	Variance %
Net tangible assets per security	<b>\$1.96</b>	\$1.96	-0%

## Explanation of results

### Brief explanation of results

- Rental Revenue increased by 1.78% due to:
  - Weighted average portfolio gross rent (exclusive of Queensland land tax) increases of 2.24% in November 2014 and 2.25% in November 2013 offset by sale of Victoria Hotel, Shepparton, VIC in April 2014;
  - Total income has decreased by 0.71% due to a lower increase in property fair value increments of \$0.98 million. Property values increased by \$16.21 million compared to \$17.19 million for the previous half year.
- Profit after income tax for the period decreased by \$5.9 million due to:
  - Higher fair value decrement to derivatives of \$3.8 million in the current period as a result of lower long term interest rates;
  - Cash finance costs were \$2.9 million higher due to:
    - a reduction of counter hedge benefits of \$5.4 million;
    - an increase in interest expenses of \$0.9 million relating to both ALE Notes 2 and AMTN being on issue until ALE Notes 2 redemption on 20 August 2014; and
    - a reduction in interest expense of \$3.5 million relating to the AMTN refinancing;
- Total available for distribution is lower due to the higher finance costs noted above.
- The distribution of 8.40 cents per security represents an increase of 2.44% from the previous half-year and is in line with guidance provided by the Board in November 2014.

## Reconciliation of profit after tax to total available for distribution

	<b>A\$'000</b>
Profit after income tax for half-year	<b>\$21,837</b>
Plus / (Less)	
Fair value (increment) to investment properties	(16,210)
Fair value decrement to derivatives	6,723
Employee security based payments	96
Finance costs – non cash	1,949
Income tax expense / (benefit)	23
<b>Total available for distribution</b>	<b>14,418</b>
Distribution payable	16,438
<b>Available and under/(over) distributed at the half-year</b>	<b>(2,020)</b>

## **Audit Status**

Independent auditor KPMG has completed a review of the accounts on which this report is based and provided an unqualified opinion.

A copy of the ALE Property Group 31 December 2014 Half-Year Financial Report with KPMG review opinion is attached.



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## **ALE Property Group**

**Comprising Australian Leisure and Entertainment Property Trust and its controlled entities**

**ABN 92 648 441 429**

### **Half-Year Report 31 December 2014**

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# ALE Property Group

Comprising Australian Leisure and Entertainment  
Property Trust and its controlled entities  
Report For the half-year ended 31 December 2014

ABN 92 648 441 429

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**31 December 2014**

**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 86 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of Australian Leisure and Hospitality Group Limited (ALH) for a remaining initial lease term of 14 years.

[WWW.ALEGROUP.COM.AU](http://WWW.ALEGROUP.COM.AU)

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## ALE Property Group

### DIRECTORS' REPORT

For the Half-Year ended 31 December 2014

#### DIRECTORS' REPORT

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 ALE is:

Level 10  
6 O'Connell Street  
Sydney NSW 2000

The directors of the Company present their report, together with the consolidated half-year financial report of ALE, for the half-year ended 31 December 2014.

#### 1. DIRECTORS

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

Name	Type	Appointed	Resigned
P H Warne (Chairman)	Independent non-executive	8 September 2003	
J P Henderson	Independent non-executive	19 August 2003	6 November 2014
H I Wright	Independent non-executive	8 September 2003	
P J Downes	Independent non-executive	26 November 2013	
P G Say	Independent non-executive	24 September 2014	
A F O Wilkinson (Managing Director)	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 those activities during the half-year.

#### 3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, no significant changes in the state of affairs of ALE occurred during the half-year.

#### 4. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

Subsequent to 31 December 2014, long term interest rates have declined with the 10 year swap rate reducing from 3.14% at 31 December 2014 to 2.64%. This has resulted in an increase in the fair value of the derivative liability in the period since 31 December 2014. As at the date of this report (5 February 2015) the value of that liability has increased by a further \$4.108 million to \$6.723 million.

Apart from the above, there has not arisen in the interval between the end of the financial period 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 periods.

#### 5. 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 securityholders.

In accordance with the leases of its investment properties, ALE receives increases in rental income in line with increases in the consumer price index. Under the terms of the leases for 78 of 86 properties there is a market rent review in November 2018 that is capped and collared within 10% of the 2017 rent. Whilst the Directors are unable to give forecasts on the likely rent increase in November 2018 it should be noted that all the property valuers at June 2014 assumed a 10% increase in rent in their discounted cash flow calculations in their valuation reports.

Other than the above, the directors are not aware of any other future developments likely to significantly affect the operations or results of ALE.

**DIRECTORS' REPORT**

**6. DISTRIBUTIONS AND DIVIDENDS**

Trust distributions payable to stapled securityholders for the half-year are as follows:

	<b>31 December 2014 cents</b>	<b>31 December 2013 cents</b>	<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000</b>
Interim Trust income distribution for the year ending 30 June 2015 to be paid on 5 March 2015	8.40	8.20	16,438	16,048
<b>Interim Trust distribution</b>	<b>8.40</b>	<b>8.20</b>	<b>16,438</b>	<b>16,048</b>

No provisions for or payments of Company dividends have been made during the half-year (2013: nil).

**7. OPERATIONAL AND FINANCIAL REVIEW**

Background

ALE Property Group is Australia's largest listed freehold owner of pub properties. Established in November 2003, ALE owns a property portfolio of 86 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of the Australian Leisure and Hospitality Group Limited (ALH) for an average remaining initial lease term of 13.8 years plus options for ALH to extend.

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

- The majority of the leases commenced in November 2003 with an initial term of 25 years and four options of 10 years for ALH to extend;
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland;
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI;
- There is a market rent review in November 2018 that is capped and collared within 10% of the 2017 rent; and
- There is a full open market rent review (no cap and collar) in November 2028 at which time ALH has four options of 10 years to extend the leases.

The other three leases are double net leases.

Current year performance

ALE produced a profit after tax of \$21.8 million for the half-year ended 31 December 2014 compared to a profit of \$27.7 million for the half-year ended 31 December 2013. The decrease is primarily due to a decrease in the fair value of derivatives as a result of lower long term interest rates. Other factors include:

- Rental income increased by 1.8% following the annual rent review in November 2014;
- Interest income was lower on the back of decreasing interest rates and lower cash balances;
- Cash finance costs were \$2.9 million higher due to:
  - a reduction of counter hedge benefits of \$5.4 million;
  - an increase in interest expenses of \$0.9 million relating to both ALE Notes 2 and AMTN being on issue until ALE Notes 2 redemption on 20 August 2014;
  - a reduction in interest expense of \$3.5 million relating to the AMTN refinancing; and
- Management expenses were largely unchanged and ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

ALE has a policy of paying distributions subject only to an amount that is not less than the taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. It is also equivalent to Funds from Operations (FFO).

ALE Property Group

**DIRECTORS' REPORT**

	<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000</b>
<b>Profit / (Loss) after income tax for the half-year</b>	<b>21,837</b>	<b>27,730</b>
<b>Plus /(Less): Adjustments for non-cash items</b>		
Fair value (increments)/decrements to investment properties	(16,210)	(17,190)
Fair value (increments)/decrements to derivatives	6,723	2,946
Employee security based payments	96	96
Finance costs - non-cash	1,949	2,399
Income tax expense/(benefit)	23	524
<b>Total adjustments for non-cash items</b>	<b>(7,419)</b>	<b>(11,225)</b>
<b>Total available for distribution</b>	<b>14,418</b>	<b>16,505</b>
Distribution paid or provided for	16,438	16,048
<b>Available and undistributed/(over distributed) for the half-year</b>	<b>(2,020)</b>	<b>457</b>

	<b>Note</b>	<b>Percentage Movement</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings and distribution per stapled security:</b>				
Earnings available for distribution per security	7(b) & (c)	(12.6%)	7.37	8.43
Distribution per security	7(d)	2.4%	8.40	8.20
			<b>\$</b>	<b>\$</b>
<b>Net Tangible Assets per security at balance date</b>			1.96	1.93

Financial position

ALE's net assets increased by 1.42%, compared with the June 2014 which was largely attributable to an increase in property values during the year.

Investment property revaluations increased the continuing portfolio value by 1.97% from \$821.7 million to \$837.9 million during the year. The average capitalisation rates increased slightly from 6.42% to 6.44% with the increase in property valuations mostly attributable to the November 2014 CPI rent increase for 78 of the 86 properties.

Net assets per stapled security increased by 1.55% from \$1.93 to \$1.96 compared to June 2014 primarily as a result of the increase in property values and reduction in derivative values.

ALE's market capitalisation, at balance date, increased by around 15.4% to around \$658 million since 30 June 2014.

ALE's funding structure was significantly simplified during 2014 and now has borrowings with maturity dates diversified across the next 9 years and an average maturity of around 6 years. In June 2014 ALE successfully raised \$335 million in debt through an AMTN issue. The AMTN issue contained two tranches, one of \$110 million with a term of 3.25 years and fixed interest rate of 4.25% p.a. and a second of \$225 million with a term of 6.25 years and a fixed interest rate of 5.00% p.a. The debt was issued with an investment grade rating of Baa2 and at the time of issue was the largest AMTN issue by an AREIT since 2011. The issue was significantly over-subscribed and scaled to deliver a very competitive issue margin outcome for the benefit of ALE's securityholders. ALE's next borrowing maturity is September 2017 where \$110 million of AMTN will mature. This is followed by \$330 million of AMTN in September 2020 and the CIB in November 2023. This gives ALE a secure and flexible funding structure into the medium to long term.

The ALE Notes 2 matured in August 2014 and were repaid from existing cash reserves. Following this, ALE's next scheduled debt maturity is August 2017.

Between 30 June 2014 and 31 December 2014 net covenant gearing reduced from 51.7% to 51.2%. ALE continues to maintain appropriate headroom to all debt covenants with the nearest equivalent to an average 14.6% fall in property values.



## DIRECTORS' REPORT

ALE has consistently sought to protect investors from inflation and interest rate risk and continues to have long term hedging in place to achieve this objective. At the time of the issue of fixed rate AMTN debt ALE terminated some of the existing interest rate hedging arrangements as they were no longer required.

In December 2012 ALE had entered into a ten year interest rate hedge which was set at 3.83% p.a., at the time a level not available since 1908 when the long term bond market was first established in Australia. The fixed rate AMTN debt raised in June 2014 saw ALE enter into fixed rate debt with 3.25 and 6.25 year maturities and accordingly the previously arranged interest rate hedges for the equivalent terms were terminated. The debt raising and hedging restructure ensures that ALE remains hedged for its base interest rates on 100% of its net debt until November 2022.

### Business strategies and prospects

ALE's aim is to preserve the quality of the existing property portfolio. The refinanced debt and restructured hedging position provides significant certainty around a stable distributable profit profile for the medium term.

ALE continues to hold a positive outlook for the market rent prospects for the portfolio. In November 2018 the first major review will occur with the market rent capped and collared within 10% of the 2017 rent for each property. It is notable that all of the independent valuers DCF valuation of ALE properties at June 2013 and June 2014 assumed a 10% increase for this review. There is also a full open market rent review (no caps or collars) in November 2028.

While it remains ALE's objective to continue to grow distributions by at least CPI, ALE is currently considering a range of capital management options designed to maintain its gearing levels during the period leading up to and beyond the November 2018 market rent review. ALE will continue to consult with its securityholders to determine the best approach.

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

### **8. 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 5.

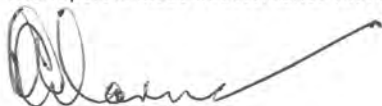
### **9. ENVIRONMENTAL REGULATION**

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.

### **10. 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 5<sup>th</sup> day of February 2015



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

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



KPMG

John Teer  
Partner

Sydney

5 February 2015

ALE Property Group

**STATEMENT OF COMPREHENSIVE INCOME**

For the Half-Year ended 31 December 2014

	Note	31 December 2014 \$'000	31 December 2013 \$'000
<b>Revenue</b>			
Rent from investment properties		27,412	26,932
Interest from cash deposits		1,155	977
<b>Total revenue</b>		<b>28,567</b>	<b>27,909</b>
<b>Other income</b>			
Fair value increments to investment properties	9	16,210	17,190
Other income		53	50
<b>Total other income</b>		<b>16,263</b>	<b>17,240</b>
<b>Total income</b>		<b>44,830</b>	<b>45,149</b>
<b>Expenses</b>			
Fair value decrements to derivatives	4	6,723	2,946
Finance costs - cash	5	11,066	8,178
Finance costs - non-cash	5	1,949	2,399
Queensland land tax expense		1,057	1,101
Other expenses		2,175	2,271
<b>Total expenses</b>		<b>22,970</b>	<b>16,895</b>
<b>Profit/(Loss) before income tax</b>		<b>21,860</b>	<b>28,254</b>
Income tax (expense)/benefit		(23)	(524)
<b>Profit/(Loss) after income tax benefit</b>		<b>21,837</b>	<b>27,730</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the period after income tax</b>		-	-
<b>Total comprehensive income for the period</b>		<b>21,837</b>	<b>27,730</b>
<b>Profit attributable to:</b>			
Members of ALE		21,837	27,730
<b>Profit for the period</b>		<b>21,837</b>	<b>27,730</b>
<b>Total comprehensive income attributable to:</b>			
Members of ALE		21,837	27,730
<b>Total comprehensive income for the period</b>		<b>21,837</b>	<b>27,730</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings/(losses) per stapled security	7(a)	11.16	14.21

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**ALE Property Group**

**STATEMENT OF FINANCIAL POSITION**

For the Half-Year ended 31 December 2014

	Note	31 December 2014 \$'000	30 June 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	8	45,485	149,963
Receivables		276	2,147
Other		1,274	249
<b>Total current assets</b>		<b>47,035</b>	<b>152,359</b>
<b>Non-current assets</b>			
Investment properties	9	837,890	821,680
Derivatives	6	-	4,108
Plant and equipment		24	31
Deferred tax asset		318	339
<b>Total non-current assets</b>		<b>838,232</b>	<b>826,158</b>
<b>Total assets</b>		<b>885,267</b>	<b>978,517</b>
<b>Current liabilities</b>			
Payables		7,657	8,523
Borrowings	10	-	102,383
Provisions		16,565	16,271
<b>Total current liabilities</b>		<b>24,222</b>	<b>127,177</b>
<b>Non-current liabilities</b>			
Borrowings	10	475,776	474,051
Derivatives	6	2,615	-
<b>Total non-current liabilities</b>		<b>478,391</b>	<b>474,051</b>
<b>Total liabilities</b>		<b>502,613</b>	<b>601,228</b>
<b>Net assets</b>		<b>382,654</b>	<b>377,289</b>
<b>Equity</b>			
Contributed equity	11	257,870	257,870
Reserve		641	604
Retained profits	12	124,143	118,815
<b>Total equity</b>		<b>382,654</b>	<b>377,289</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

ALE Property Group

**STATEMENT OF CHANGES IN EQUITY**

Half-Year Report for period ended 31 December 2014

	Share Capital \$'000	Share based payments reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>2014</b>				
<b>Total equity at the beginning of the half-year</b>	<b>257,870</b>	<b>604</b>	<b>118,815</b>	<b>377,289</b>
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	21,837	21,837
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>21,837</b>	<b>21,837</b>
Employee security based payments	-	96	-	96
Employee security based payments - securities purchased	-	(59)	(71)	(130)
Distribution paid or payable	-	-	(16,438)	(16,438)
<b>Total equity at the end of the half-year</b>	<b>257,870</b>	<b>641</b>	<b>124,143</b>	<b>382,654</b>
<b>2013</b>				
<b>Total equity at the beginning of the half-year</b>	<b>254,080</b>	<b>382</b>	<b>113,895</b>	<b>368,357</b>
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	27,730	27,730
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>27,730</b>	<b>27,730</b>
Employee security based payments	-	96	-	96
Vesting of performance rights	-	(50)	(81)	(131)
Securities issued - distribution reinvestment plan	3,939	-	-	3,939
Distribution paid or payable	-	-	(16,048)	(16,048)
<b>Total equity at the end of the half-year</b>	<b>258,019</b>	<b>428</b>	<b>125,496</b>	<b>383,943</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

ALE Property Group

**STATEMENT OF CASH FLOWS**

Half-Year Report for period ended 31 December 2014

	Note	31 December 2014 \$'000	31 December 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from tenant and others		30,172	29,662
Payments to suppliers and employees		(6,659)	(7,143)
Interest received		1,224	922
Interest received - interest rate hedges		447	4,018
Borrowing costs paid		(12,111)	(12,077)
<b>Net cash inflow from operating activities</b>	<b>8</b>	<b>13,073</b>	<b>15,382</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of properties		1,200	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,200</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - ALE Notes 2		(102,597)	-
Borrowing and capital raising costs paid		(9)	(27)
Distributions paid		(16,145)	(11,600)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(118,751)</b>	<b>(11,627)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(104,478)</b>	<b>3,755</b>
Cash and cash equivalents at the beginning of the half-year		149,963	54,652
<b>Cash and cash equivalents at the end of the half-year</b>	<b>8</b>	<b>45,485</b>	<b>58,407</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## **NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

### **Note 1 Statement of Compliance**

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This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by ALE during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **Note 2 Significant accounting policies**

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The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **Note 3 Estimates**

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2014.

#### *Measurement of fair values*

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

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

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

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- *Level 2*: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 3 Estimates (continued)**

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information concerning fair values is included in the following notes:

- Notes 6 - Derivatives
- Notes 9 - Investment Property
- Notes 18 - Financial Instruments

	2014 \$'000	2013 \$'000
<b>Note 4 Fair value adjustments to derivatives</b>		
Interest rate hedges fair value net increment/(decrement)	(6,723)	(2,946)
	<b>(6,723)</b>	<b>(2,946)</b>

The fair value decrement during the current period is a result of falling long term interest rates. The fair value adjustments to derivatives will reverse over the life of the derivative if they are held to maturity and therefore are non-cash timing differences.

<b>Note 5 Finance costs</b>	<b>Note</b>		
<b>Finance costs - cash</b>			
Capital Indexed Bonds (CIB)	10(b) & (iii)	2,424	2,358
Commercial Mortgage Backed Securities (CMBS)	10(c)	-	4,007
Australian Medium Term Notes (AMTN)	10(d)	7,999	-
ALE Notes 2	10(e)	940	5,514
Interest rate derivative payments/(receipts)	-	(374)	(3,835)
Other expenses	(i)	77	134
		<b>11,066</b>	<b>8,178</b>
<b>Finance costs - non-cash</b>			
CIB - accumulating indexation	10(b) & (iii)	1,556	1,252
Amortised costs - CMBS & CIB	(ii)	28	421
Amortised costs - AMTN	(ii)	151	-
Amortised costs - ALE Notes 2	(ii)	214	726
		<b>1,949</b>	<b>2,399</b>
<b>Finance costs (cash and non-cash)</b>		<b>13,015</b>	<b>10,577</b>

- (a) The above amounts represent net cash finance costs after derivative payments and receipts.
- (i) Other borrowing costs such as rating agency fees and liquidity fees.
- (ii) Establishment costs of the various borrowings are amortised over the period of the borrowing on an effective rate basis.
- (iii) The finance costs in respect of the CIB comprise the interest coupon payable at 3.4% (cash) and the accumulated indexation (non cash) payable on maturity based on the actual consumer price indices relevant to the reporting period.



**NOTES TO THE FINANCIAL STATEMENTS**

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	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 6 Derivatives</b>		
Current assets	-	-
Non-current assets	-	4,108
<b>Asset</b>	<b>-</b>	<b>4,108</b>
Current liabilities	-	-
Non current liabilities	(2,615)	-
<b>(Liability)</b>	<b>(2,615)</b>	<b>-</b>
<b>Net asset / (liability)</b>	<b>(2,615)</b>	<b>4,108</b>

During the period the net value of ALE's derivatives decreased by \$6.723 million (December 2013: \$2.946 million).

**Instruments used by the Group**

ALE uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with ALE's financial risk management policies. As at balance date, ALE has hedged all non CIB net borrowings past the maturity date of the AMTN through nominal interest rate hedges. Interest rate hedges are carried on the Statement of Financial Position at fair value. Changes in the mark to market fair value of these derivatives are recognised in the Statement of Comprehensive Income.

Further information concerning derivatives is disclosed in Note 10(f).

**Fair value hierarchy**

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Assets</b>		
Interest rate hedges	-	4,108
<b>Liabilities</b>		
Interest rate hedges	(2,615)	-

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market related discount rate.

Level 2 fair values for interest rate hedge derivative financial instruments are based on bank valuations adjusted to include credit risk of the counterparty and ALE. Those valuations are tested for reasonableness by discounting expected future cash flows using market interest rates for the instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of ALE and counterparty when appropriate.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the six months ended 31 December 2014.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 7 Distributions**

ALE has a policy of paying distributions subject only to an amount that is not less than the taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. The following statement reconciles the profit after income tax to the total available for distribution.

		<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000</b>
Reconciliation of profit/(loss) after tax to amounts available for distribution:			
<b>Profit after income tax for the half-year</b>	(a)	<b>21,837</b>	<b>27,730</b>
<b>Plus /(Less)</b>			
Fair value (increments)/decrements to investment properties		(16,210)	(17,190)
Fair value (increments)/decrements to derivatives		6,723	2,946
Employee security based payments		96	96
Finance costs - non-cash		1,949	2,399
Income tax expense/(benefit)		23	524
<b>Adjustments for non-cash items</b>		<b>(7,419)</b>	<b>(11,225)</b>
<b>Total available for distribution</b>	(b) & (c)	<b>14,418</b>	<b>16,505</b>
Distribution paid or provided for	(d)	16,438	16,048
<b>Available and undistributed/(over distributed) for the half-year</b>	(e)	<b>(2,020)</b>	<b>457</b>
<b>Reconciliation of accumulated undistributed balances</b>			
Opening balance		10,444	11,061
Available and undistributed/(over distributed) for the half-year		(2,020)	457
<b>Closing balance</b>	(f)	<b>8,424</b>	<b>11,518</b>
		<b>Number of Stapled Securities On Issue</b>	<b>Number of Stapled Securities On Issue</b>
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security at (a) and (b) below.			
		195,702,333	195,177,111
Stapled securities on issue at the end of the half-year used in calculating distribution per stapled security at (c) and (d) below.			
		195,702,333	195,702,333
		<b>31 December 2014 Cents Per Stapled Security</b>	<b>31 December 2013 Cents Per Stapled Security</b>
(a) Basic and diluted earnings		11.16	14.21
(b) Basic and diluted earnings per stapled security before fair value adjustments, non-cash finance costs and non-cash amortisation of borrowing costs		7.37	8.46
(b) & (c) Total available for distribution		7.37	8.43
(d) Distribution		8.40	8.20
(e) Available and undistributed/(over distributed) for the half-year		(1.03)	0.23
(f) Accumulated available and undistributed at the half-year		4.30	5.89

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 8 Cash assets and cash equivalents</b>		
Cash at bank and in hand	2,171	10,389
Deposits at call	34,184	131,184
Cash reserve and collateral deposits	9,130	8,390
	<b>45,485</b>	<b>149,963</b>

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

An amount of \$0.74 million is held in a Sales Proceeds Account in accordance with an Issuer Loan Agreement for the CIB facility. The cash held in this account can be placed on short term deposit or released for additional property to be placed within the security pool. Refer note 10(g) for further details on the assets pledged as security for the CIB facility.

	<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000</b>
<u>Reconciliation of profit after income tax to net cash inflows from operating activities</u>		
<b>Profit for the half-year</b>	<b>21,837</b>	<b>27,730</b>
Fair value (gains)/losses to investment property	(16,210)	(17,190)
Fair value (gains)/losses to derivative financial instruments	6,723	2,946
Finance costs - amortisation	393	1,147
Finance costs - accumulating indexation	1,556	1,252
Stapled security based payments expense	96	96
Stapled security based payments securities purchased	(130)	(131)
Depreciation	7	8
Decrease/(Increase) in receivables	671	341
Decrease/(Increase) in other assets	(1,025)	(1,079)
Decrease/(Increase) in deferred tax asset	21	519
Increase/(Decrease) in payables	(866)	(276)
Increase/(Decrease) in provisions	-	19
<b>Net cash inflow from operating activities for the half-year</b>	<b>13,073</b>	<b>15,382</b>

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 9 Investment properties</b>		
Investment properties - at fair value	<b>837,890</b>	<b>821,680</b>
<b>Reconciliation</b>		
A reconciliation of the carrying amounts of investment properties at the beginning and end of the half-year is set out below:		
Carrying amount at beginning of the half-year	821,680	798,690
Net gain from fair value adjustments	16,210	22,990
<b>Carrying amount at the end of the half-year</b>	<b>837,890</b>	<b>821,680</b>

**Investment properties**

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

## **NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

### **Note 9 Investment properties (continued)**

#### **Leasing arrangements**

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

#### **Measurement of fair value**

##### *Valuation approach*

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. As at 31 December 2014, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 6.44% (June 2014: 6.42%).

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. ALE has a valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the Board's approved valuation policy. These external independent valuations are taken into consideration when determining the fair value of the investment properties. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The weighted average lease term of the properties is around 14 years.

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 31 properties were independently valued as at 30 June 2014. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by CBRE (VIC and SA), Urbis Valuations (QLD and WA) and Colliers (NSW).

The remaining 55 properties were subject to Directors' valuations as at 30 June 2014, identified as "B". The Directors' valuations of the 55 properties were determined by taking each property's net rent as at 30 June 2014 and capitalising it at a rate equal to the prior year capitalisation rate for that property, adjusted by the average change in capitalisation rate evident in the 31 independent valuations completed at 30 June 2014 on a state by state basis. The Directors have received advice from CBRE, Urbis and Colliers that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a state by state basis.

During December 2014 the directors revalued each of ALE's 86 properties. The directors' valuations recognise the impact of the November 2014 state based CPI rental increases which resulted in a national weighted average indexation of property net income (exclusive of Queensland land tax) of 2.24% and are based on independent advice that it is not unreasonable to have regard to the June 2014 capitalisation rates applied to ALE's properties. Apart from the New Brighton Hotel, where the capitalisation rate was increased to 6.50%, there was no change in the capitalisation rates of the properties. The overall impact was a small increase from 6.42% to 6.44% in the weighted average rate applied in determining the 31 December 2014 valuation results.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 9 Investment properties (continued)**

The valuations of each independent property are prepared by considering the aggregate of the net annual passing rental receivable from the individual properties and, where relevant, associated costs. A capitalisation rate, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual passing rentals to arrive at the property valuation. The independent valuer may have regard to other valuation methods in cross-checking the primary capitalisation of income method. A table showing the range of capitalisation rates applied to individual properties for each state in which the property is held is included below.

	<b>Dec-14 Yields</b>	Jun-14 Yields	<b>Dec-14 Average</b>	Jun-14 Average
New South Wales	<b>5.90% - 7.84%</b>	5.57% - 7.84%	<b>6.69%</b>	6.56%
Victoria	<b>5.23% - 7.19%</b>	5.23% - 7.19%	<b>6.41%</b>	6.41%
Queensland	<b>5.29% - 6.87%</b>	5.29% - 6.87%	<b>6.33%</b>	6.33%
South Australia	<b>6.03% - 6.76%</b>	6.03% - 6.76%	<b>6.52%</b>	6.52%
Western Australia	<b>6.49% - 7.29%</b>	6.49% - 7.29%	<b>6.75%</b>	6.75%

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

*Fair value hierarchy*

The fair value of investment property was determined by having external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued value approximately one third of the portfolio every 12 months. The remaining properties are valued by Directors by reference to the movement in capitalisation rates advised by the independent valuers. The Directors receive advice from the independent valuers that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates in the sample independently valued, on a state by state basis, to the remaining properties.

The fair value measurement for investment property of \$837.890 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

*Level 3 fair value*

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
Balance at the beginning of the year	821,680	798,690
Changes in fair value (unrealised)	16,210	22,990
<b>Carrying amount at the end of the year</b>	<b>837,890</b>	821,680

*Valuation techniques and unobservable inputs*

<b>Fair value hierarchy</b>	<b>Class of property</b>	<b>Fair Value 31 December 2014</b>	<b>Valuation technique</b>	<b>Inputs Used to Measure Fair Value</b>	<b>Range of Individual Property Unobservable inputs</b>
Level 3	Pubs	837,890	Capitalisation	Gross rent p.a (\$'000) Land tax p.a (\$'000) Adopted capitalisation rate	\$178 - \$1,583 \$12 - \$127 5.23% - 7.84%

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 9 Investment properties (continued)**

Property	Date acquired	Cost including additions \$'000	Valuation type and date	Fair Value	Fair Value	Fair Value
				at 31 December 2014 \$'000	at 30 June 2014 \$'000	gains/ (losses) for 31 December 2014 \$'000
<b>New South Wales</b>						
Blacktown Inn, Blacktown	Nov-03	5,472	C, B	9,160	8,960	200
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	C, A	9,660	9,450	210
Colyton Hotel, Colyton	Nov-03	8,208	C, B	13,750	13,450	300
Crows Nest Hotel, Crows Nest	Nov-03	8,772	C, B	13,680	13,380	300
Melton Hotel, Auburn	Nov-03	3,114	C, B	5,700	5,580	120
Narrabeen Sands Hotel, Narrabeen	Mar-09	8,945	C, A	11,650	11,650	-
New Brighton Hotel, Manly	Nov-03	8,867	C, B	13,140	15,010	(1,870)
Pioneer Tavern, Penrith	Nov-03	5,849	C, A	10,020	9,800	220
Pritchard's Hotel, Mt Pritchard	Oct-07	21,130	C, B	20,190	19,600	590
Smithfield Tavern, Smithfield	Nov-03	4,151	C, B	7,140	6,990	150
<b>Total New South Wales properties</b>		<b>80,168</b>		<b>114,090</b>	<b>113,870</b>	<b>220</b>
<b>Queensland</b>						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	C, B	12,590	12,200	390
Alderley Arms Hotel, Alderley	Nov-03	3,303	C, A	5,610	5,350	260
Anglers Arms Hotel, Southport	Nov-03	4,434	C, B	8,010	7,790	220
Balacava Hotel, Cairns	Nov-03	3,304	C, B	6,170	5,990	180
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	C, B	15,190	14,680	510
Burleigh Hotel, Burleigh Heads	Nov-08	6,685	C, B	11,810	11,500	310
Camp Hill Hotel, Camp Hill	Nov-03	2,265	C, A	3,740	3,625	115
Chardons Corner Hotel, Annerly	Nov-03	1,416	C, B	2,200	2,120	80
Dalrymple Hotel, Townsville	Nov-03	3,208	C, B	5,900	5,740	160
Edge Hill Tavern, Manoora	Nov-03	2,359	C, B	4,820	4,690	130
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	C, B	5,080	4,940	140
Four Mile Creek, Strathpine	Jun-04	3,672	C, A	6,350	6,350	-
Hamilton Hotel, Hamilton	Nov-03	6,604	C, B	9,920	9,610	310
Holland Park Hotel, Holland Park	Nov-03	3,774	C, B	6,680	6,420	260
Kedron Park Hotel, Kedron Park	Nov-03	2,265	C, B	3,500	3,400	100
Kirwan Tavern, Townsville	Nov-03	4,434	C, B	8,980	8,730	250
Lawnton Tavern, Lawnton	Nov-03	4,434	C, B	7,400	7,200	200
Miami Tavern, Miami	Nov-03	4,057	C, B	9,050	8,790	260
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	C, A	5,490	5,325	165
Mount Pleasant Tavern, Mackay	Nov-03	1,794	C, B	3,480	3,380	100
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	C, B	12,250	12,250	-
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	C, A	5,020	4,750	270
Palm Beach Hotel, Palm Beach	Nov-03	6,886	C, B	11,650	11,340	310
Pelican Waters, Caloundra	Jun-04	4,237	C, A	6,825	6,825	-
Prince of Wales Hotel, Nundah	Nov-03	3,397	C, A	5,960	5,800	160
Racehorse Hotel, Booval	Nov-03	1,794	C, B	3,270	3,160	110
Redland Bay Hotel, Redland Bay	Nov-03	5,189	C, A	9,120	8,825	295
Royal Exchange Hotel, Toowong	Nov-03	5,755	C, A	9,340	9,075	265
Springwood Hotel, Springwood	Nov-03	9,150	C, B	14,130	13,730	400
Stones Corner Hotel, Stones Corner	Nov-03	5,377	C, B	9,260	9,010	250
Vale Hotel, Townsville	Nov-03	5,661	C, B	10,670	10,390	280
Wilsonton Hotel, Toowoomba	Nov-03	4,439	C, B	8,260	7,960	300
<b>Total Queensland properties</b>		<b>145,164</b>		<b>247,725</b>	<b>240,945</b>	<b>6,780</b>

ALE Property Group

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 9 Investment properties (continued)**

<b>Property</b>	<b>Date acquired</b>	<b>Cost including additions \$'000</b>	<b>Valuation type and date</b>	<b>Fair Value at 31 December 2014 \$'000</b>	<b>Fair Value at 30 June 2014 \$'000</b>	<b>Fair Value gains/(losses) for 31 December 2014 \$'000</b>
<b>South Australia</b>						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	C, A	5,970	5,850	120
Eureka Tavern, Salisbury	Nov-03	3,303	C, A	5,920	5,800	120
Exeter Hotel, Exeter	Nov-03	1,888	C, B	3,730	3,650	80
Finsbury Hotel, Woodville North	Nov-03	1,605	C, A	3,270	3,200	70
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	C, B	4,380	4,290	90
Hendon Hotel, Royal Park	Nov-03	1,605	C, B	3,210	3,140	70
Stockade Tavern, Salisbury	Nov-03	4,435	C, B	7,880	7,710	170
<b>Total South Australian properties</b>		<b>18,310</b>		<b>34,360</b>	<b>33,640</b>	<b>720</b>
<b>Victoria</b>						
Ashley Hotel, Braybrook	Nov-03	3,963	C, B	7,340	7,200	140
Bayswater Hotel, Bayswater	Nov-03	9,905	C, A	17,650	17,300	350
Berwick Inn, Berwick	Feb-06	15,888	C, B	18,610	18,610	-
Blackburn Hotel, Blackburn	Nov-03	9,433	C, A	15,260	14,950	310
Blue Bell Hotel, Wendouree	Nov-03	1,982	C, B	4,270	4,190	80
Boundary Hotel, East Bentleigh	Jun-08	17,943	C, B	21,620	21,190	430
Burvale Hotel, Nunawading	Nov-03	9,717	C, B	16,830	16,490	340
Club Hotel, Ferntree Gully	Nov-03	5,095	C, B	9,970	9,770	200
Cramers Hotel, Preston	Nov-03	8,301	C, A	14,800	14,500	300
Deer Park Hotel, Deer Park	Nov-03	6,981	C, A	12,450	12,200	250
Doncaster Inn, Doncaster	Nov-03	12,169	C, A	19,660	19,270	390
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	C, B	9,380	9,190	190
Gateway Hotel, Corio	Nov-03	3,114	C, B	6,610	6,480	130
Keysborough Hotel, Keysborough	Nov-03	9,622	C, B	15,110	14,810	300
Mac's Melton Hotel, Melton	Nov-03	6,886	C, A	11,880	11,650	230
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	C, A	13,520	13,250	270
Mitcham Hotel, Mitcham	Nov-03	8,314	C, A	14,370	14,100	270
Morwell Hotel, Morwell	Nov-03	1,511	C, B	3,360	3,290	70
Olinda Creek Hotel, Lilydale	Nov-03	3,963	C, B	6,940	6,800	140
Pier Hotel, Frankston	Nov-03	8,019	C, B	13,460	13,190	270
Plough Hotel, Mill Park	Nov-03	8,490	C, B	13,330	13,060	270
Prince Mark Hotel, Doveton	Nov-03	9,810	C, B	17,210	16,870	340
Royal Exchange, Traralgon	Nov-03	2,171	C, A	4,450	4,360	90
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	C, A	18,730	18,350	380
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	C, A	10,610	10,400	210
Sandringham Hotel, Sandringham	Nov-03	4,529	C, B	9,570	9,380	190
Somerville Hotel, Somerville	Nov-03	2,642	C, B	5,390	5,280	110
Stamford Inn, Rowville	Nov-03	12,733	C, B	20,020	19,620	400
Sylvania Hotel, Campbellfield	Nov-03	5,377	C, B	10,510	10,300	210
Tudor Inn, Cheltenham	Nov-03	5,472	C, A	10,110	9,900	210
The Vale Hotel, Mulgrave	Nov-03	5,566	C, A	9,800	9,600	200
Village Green Hotel, Mulgrave	Nov-03	12,546	C, A	20,400	20,000	400
Young & Jacksons, Melbourne	Nov-03	6,132	C, B	10,630	10,420	210
<b>Total Victorian properties</b>		<b>248,275</b>		<b>413,850</b>	<b>405,970</b>	<b>7,880</b>

ALE Property Group

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

<b>Western Australia</b>						
Queens Tavern, Highgate	Nov-03	4,812	C , A	8,210	8,000	210
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	C , B	4,770	4,650	120
The Brass Monkey Hotel, Northbridge	Nov-07	7,816	C , B	8,610	8,330	280
Balmoral Hotel, East Victoria Park	Jul-07	6,377	C , A	6,275	6,275	-
<b>Total Western Australian properties</b>		<b>22,119</b>		<b>27,865</b>	<b>27,255</b>	<b>610</b>
<b>Total investment properties</b>		<b>514,036</b>		<b>837,890</b>	<b>821,680</b>	<b>16,210</b>

**Valuation type and date**

- A Independent valuations conducted during June 2014 with a valuation date of 30 June 2014.
- B Directors' valuations conducted during June 2014 with a valuation date of 30 June 2014.
- C Directors' valuations conducted during December 2014 with a valuation date of 31 December 2014.



**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

	Note	31 December 2014 \$'000	30 June 2014 \$'000
<b>Note 10 Borrowings</b>			
<b>Current borrowings</b>			
ALE Notes 2	(e)	-	102,383
		-	<b>102,383</b>
<b>Non-current borrowings</b>			
CIB	(b)	142,120	140,536
AMTN	(d)	333,656	333,515
		<b>475,776</b>	<b>474,051</b>
<b>CIB</b>			
Gross value of debt		111,900	111,900
Accumulated indexation		31,056	29,501
Unamortised borrowing costs		(836)	(865)
<b>Net balance</b>		<b>142,120</b>	<b>140,536</b>
<u>Movements for the half-year</u>			
Opening balance		140,536	138,137
Accumulating indexation		1,556	2,373
Amortisation of establishment costs		28	26
<b>Closing balance</b>		<b>142,120</b>	<b>140,536</b>
<b>CMBS</b>			
Gross value of debt		-	-
Unamortised borrowing costs		-	-
<b>Net balance</b>		-	-
<u>Movements for the half-year</u>			
Opening balance		-	157,845
Borrowings repaid		-	(160,000)
Amortisation of establishment costs		-	2,155
<b>Closing balance</b>		-	-
<b>AMTN</b>			
Gross value of debt		335,000	335,000
Unamortised borrowing costs		(1,344)	(1,485)
<b>Net balance</b>		<b>333,656</b>	<b>333,515</b>
<u>Movements for the half-year</u>			
Opening balance		333,515	-
Proceeds from AMTN		-	339,736
Prepaid interest on AMTN received		-	(4,736)
Borrowing establishment costs capitalised		(10)	(1,387)
Discount on issue		-	(107)
Amortisation of establishment costs		151	9
<b>Closing balance</b>		<b>333,656</b>	<b>333,515</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Note 10 Borrowings (continued)</b>		
<b>ALE Notes 2</b>		
Gross value of debt	-	102,597
Unamortised borrowing costs	-	(214)
<b>Net balance</b>	<b>-</b>	<b>102,383</b>
<u>Movements for the half-year</u>		
Opening balance	102,383	164,049
Proceeds of borrowings	-	(62,404)
Borrowing repaid	(102,597)	-
Amortisation of establishment costs	214	738
<b>Closing balance</b>	<b>-</b>	<b>102,383</b>

**(a) Terms and Repayment schedule**

	Nominal Interest Rate	Maturity Date <sup>1</sup>	31 December 2014		30 June 2014	
			Face Value	Carrying Amount	Face Value	Carrying Amount
CIB	3.4% <sup>2</sup>	Nov-2023	111,900	142,956	111,900	141,401
AMTN	4.25%	Aug-2017	110,000	110,000	110,000	110,000
AMTN	5.00%	Aug-2020	225,000	225,000	225,000	225,000
ALE Notes 2	BBSW + 4.00%	Aug-2014	-	-	102,597	102,597
			446,900	477,956	549,497	578,998
Unamortised borrowing costs				(2,180)		(2,564)
<b>Total borrowings</b>				<b>475,776</b>		<b>576,434</b>

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

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

**(b) CIB (Capital Indexed Bonds)**

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

**(c) CMBS (Commercial Mortgage Backed Securities)**

On 29 April 2011 \$160 million of CMBS were issued with a scheduled maturity of 20 May 2016.

On 20 June 2014 the outstanding CMBS were redeemed in full in accordance with their terms of issue.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 10 Borrowings (continued)**

**(d) AMTN**

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

**(e) ALE Notes 2**

\$125 million of ALE Notes 2 were issued on 30 April 2010, with a scheduled maturity date of 20 August 2014. During November 2012 an additional \$40 million of notes were issued with the same maturity date. Interest was payable on the ALE Notes 2 on a floating rate basis.

During June 2014 ALE conducted an on-market buyback of ALE Notes 2 at \$101 per note. A total of 624,038 ALE Notes 2 were bought back and cancelled. The remaining ALE Notes 2 were redeemed on their maturity date of 20 August 2014.

**(f) Interest rate hedges**

At 31 December 2014, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Nominal Interest Rate Hedges		Counter Hedges on Nominal Interest Rate Hedges		Net Derivative position	
	December 2014 \$'000	June 2014 \$'000	December 2014 \$'000	June 2014 \$'000	December 2014 \$'000	June 2014 \$'000
Less than 1 year	-	-	-	-	-	-
1 - 2 years	-	-	-	-	-	-
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	-	-	-	-	-	-
Greater than 5 years *	280,000	280,000	(30,000)	(30,000)	250,000	250,000
	280,000	280,000	(30,000)	(30,000)	250,000	250,000

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

The average weighted term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE has decreased from 8.8 years at 30 June 2014 to 8.3 years at 31 December 2014.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the statement of comprehensive income. In the half year ended 31 December 2014, a decrement in value of \$6.723 million was recognised to the Statement of Comprehensive Income (2013: decrement in value of \$2.946 million).

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 10 Borrowings (continued)**

**(g) Assets pledged as securities**

The ALE Notes 2 were unsecured borrowings. The carrying amounts of assets pledged as security as at the balance date for CIB borrowings are:

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Current assets</b>		
Cash - CIB Cash Reserve	<b>8,390</b>	8,390
Cash - CIB Sales Proceeds Account	<b>740</b>	-
<b>Non-current assets</b>		
Total investment properties	<b>837,890</b>	821,680
<b>Less: Properties not subject to mortgages</b>		
Pritchard's Hotel, Mt Pritchard, NSW	<b>(20,190)</b>	(19,600)
Properties subject to first mortgages	<b>817,700</b>	802,080
<b>Total assets</b>	<b>826,830</b>	810,470

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

**(h) Financial Covenants**

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

**Loan to Value Ratio covenants (LVR)**

<b>Borrowing</b>	<b>LVR Covenant</b>	<b>Consequence</b>
CIB	Outstanding indexed value of CIB not to exceed 30% of the CIB property security values	ALE cannot issue additional CIB if doing so would cause the LVR to be exceeded
CIB	Outstanding value of CIB not to exceed 66.6% of the CIB property security values	Counterparty can terminate the CIB
AMTN	Net Priority Debt not to exceed 20% of Net Total Assets	ALE DPT cannot borrow additional secured debt if doing so would cause the LVR to be exceeded
AMTN	Net Finance Debt not to exceed 60% of Net Total Assets	Stapled Security distribution lock-up
AMTN	Net Finance Debt not to exceed 65% of Net Total Assets	Note holders may call for notes to be redeemed

*Definitions*

Net Priority Debt is the CIB less the CIB Cash Reserve and Sales Proceeds Account.

Net Finance Debt is Total Borrowings less all Cash.

Net Total Assets is Total Assets less all Cash.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 10 Borrowings (continued)**

**Interest Cover Ratio (ICR) Covenants**

<b>Borrowing</b>	<b>LVR covenant</b>	<b>Consequence</b>
CIB	ALH EBITDAR to be greater than 7.5 times CIB Interest	Stapled security distributions lock-up
CIB	ALH EBITDAR to be greater than 5.0 times CIB interest	Stapled security distributions lock-up
AMTN	Sub-Trust EBITDA to be greater than or equal to 1.5 times Sub Trust interest expense	Note holders may call for notes to be redeemed

*Definitions*

Interest amounts include all derivative rate swap payments and receipts

EBITDAR - Earnings before Interest, Tax, Depreciation, Amortisation and Rent

ICR covenants in relation to the various hedging facilities are the same as the AMTN covenants.

**Rating covenant**

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

ALE currently considers that significant headroom exists with respect to all the above covenants.

At all times during the half ended 31 December 2014 and full year ended 30 June 2014, ALE and its subsidiaries were in compliance with all the above covenants.

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 11 Contributed equity</b>		
Balance at the beginning of the period	257,870	258,019
Costs associated with on-market purchase of securities for the Distribution Reinvestment Plan	-	(149)
	<b>257,870</b>	<b>257,870</b>

**Movements in the number of fully paid stapled securities during the period were as follows:**

	<b>Number of Stapled Securities</b>	<b>Number of Stapled Securities</b>
<b>Stapled Securities on issue:</b>		
Balance at the beginning of the period	195,702,333	195,702,333
Stapled securities issued - Distribution Reinvestment Plan	-	-
<b>Balance at the end of the period</b>	<b>195,702,333</b>	<b>195,702,333</b>

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 11 Contributed equity (continued)**

**Stapled securities issued**

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

**No income voting units (NIVUS)**

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

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 12 Retained profits</b>		
Balance at the beginning of the half-year	118,815	125,496
Profit attributable to stapled securityholders of ALE	21,837	9,464
Transfer from share based payments reserve	(71)	-
Total available for appropriation	140,581	134,960
Distributions provided for or paid during the half-year	(16,438)	(16,145)
<b>Balance at the end of the half-year</b>	<b>124,143</b>	<b>118,815</b>

	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
<b>Note 13 Net assets per stapled security</b>		
Net Assets at Balance date	<b>382,654</b>	<b>377,289</b>
Per stapled security on issue	<b>\$1.96</b>	<b>\$1.93</b>

**Note 14 Segment information**

**Business segment**

ALE has one reportable segment, as described below, which is ALE's strategic business unit. The strategic business unit is based upon internal management reports that are reviewed by the Managing Director on at least a quarterly basis. The strategic business unit covers the operations of the property division, including rental of properties and the financing of those properties. The internal management reports concentrate on distributable income of ALE. These results are summarised in Note 7.

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

**Geographical segment**

ALE owns property solely within Australia.

**NOTES TO THE FINANCIAL STATEMENTS**

Half-Year Report for period ended 31 December 2014

**Note 15 Contingent liabilities and contingent assets**

**Put and call option**

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

**Bank guarantee**

ALE has entered into a bank guarantee of \$184,464 in respect of an office tenancy at Level 10, 6 O'Connell Street, Sydney. This guarantee may give rise to a liability if the Company does not meet its obligations under the terms of the lease.

**Note 16 Investments in controlled entities**

The Trust owns 100% of the issued equity of the Sub-Trust. The Sub-Trust owns 100% of the issued equity of the Finance Company. The Trust owns none of the issued equity of the Company, but is deemed to be its "acquirer" under AIFRS.

**Note 17 Events occurring after reporting date**

Subsequent to 31 December 2014, long term interest rates have declined with the 10 year swap rate reducing from 3.14% at 31 December 2014 to 2.64%. This has resulted in an increase in the fair value of the derivative liability in the period since 31 December 2014. As at the date of this report (5 February 2015) the value of that liability has increased by a further \$4.108 million to \$6.723 million.

Apart from the above, the directors are not aware of any other matter or circumstance occurring after balance date which may materially affect the state of affairs of ALE and are not aware of any matter or circumstance occurring after balance date which may materially affect ALE's operations or the results of those operations.

## NOTES TO THE FINANCIAL STATEMENTS

Half-Year Report for period ended 31 December 2014

### Note 18 Financial Instruments

#### (a) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

#### (b) Fair values

##### *Fair Value hierarchy*

The basis for determining fair values is disclosed in Note 3.

The ALE Notes 2 was a traded debt security on the Australian Securities Exchange. The fair value disclosed reflects the market value of the ALE Notes 2 at the relevant balance date.

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

The carrying amounts of receivable, cash, trade and other payables are assumed to approximate their fair values due to their short term nature.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	December 2014			June 2014		
	Carrying Amount \$'000	Fair Value \$'000	Fair Value Hierarchy	Carrying Amount \$'000	Fair Value \$'000	Fair Value Hierarchy
<b>Financial assets measured at fair value</b>						
Derivatives	-	-	Level 2	4,108	4,108	Level 2
	-	-		<b>4,108</b>	<b>4,108</b>	
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	45,485	45,485	-	149,963	149,963	-
Receivables	276	276	-	2,147	2,147	-
Other assets	1,274	1,274	-	249	249	-
	<b>47,035</b>	<b>47,035</b>		<b>152,359</b>	<b>152,359</b>	
<b>Financial liabilities measured at fair value</b>						
Derivatives	2,615	2,615	Level 2	-	-	Level 2
	<b>2,615</b>	<b>2,615</b>		-	-	
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	(7,657)	(7,657)	-	(8,523)	(8,523)	-
CIB	(142,120)	(148,963)	Level 1	(140,536)	(144,663)	Level 1
AMTN	(333,656)	(347,713)	Level 1	(333,515)	(337,264)	Level 1
ALE Notes 2	-	-		(102,383)	(103,623)	Level 1
	<b>(483,433)</b>	<b>(504,333)</b>		<b>(584,957)</b>	<b>(594,073)</b>	

##### *Valuation techniques used to derive level 2 fair values*

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

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

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



**DIRECTORS' DECLARATION**

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Half-Year Report for period ended 31 December 2014

**Directors' declaration**

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Peter H Warne**

Director  
Sydney

Dated this 5<sup>th</sup> day of February 2015



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

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of ALE Property Group ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Australian Leisure and Entertainment Property Trust ("the Trust") and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the Australian Leisure and Entertainment Property Management Limited, the Responsible Entity of the Trust, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ALE Property Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ALE Property Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

John Teer  
*Partner*

Sydney

5 February 2015

## INVESTOR INFORMATION AND CORPORATE DIRECTORY

Half-Year Report for period ended 31 December 2014

### INVESTOR INFORMATION

#### Stock Exchange Listing

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

#### Distribution Reinvestment Plan

ALE has established a distribution reinvestment plan. Details of the plan are available on the ALE website. The plan is currently suspended.

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

#### Websites

ALE's websites, [www.alegroup.com.au](http://www.alegroup.com.au) and [www.aleproperties.com.au](http://www.aleproperties.com.au) are useful sources of information for securityholders. They 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 September each year, will be an annual tax statement which details the tax components of the year's distribution.

#### Distributions

Stapled security distributions may be paid twice yearly, normally in early March and September.

#### Security Holder Enquiries

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

#### Email Alerts

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

### CORPORATE DIRECTORY

#### Registered Office

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

#### Company Secretary

Mr Brendan Howell  
Level 10, Norwich House  
6 O'Connell Street  
Sydney NSW 2000  
Telephone (02) 8231 8588

#### Auditors

KPMG  
10 Shelley Street  
Sydney NSW 2000

#### Lawyers

Allens Linklaters  
Level 28, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

#### Custodian (of Australian Leisure and Entertainment Property Trust)

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

#### Trustee (of ALE Direct Property Trust)

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

#### Registry

Computershare Investor Services Pty Ltd  
Reply Paid GPO Box 7115  
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