ALE PROPERTY GROUP

Building on Strong Foundations

Miami Tavern,
Gold Coast, QLD

Annual Report 2020

ALE Property Group

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities
Report For the Year ended 30 June 2020

ABN 92 648 441 429

ANNUAL REPORT

2020

ALE Property Group (ASX: LEP)

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

WWW.ALEGROUP.COM.AU

Contents

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

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

Level 10
6 O'Connell Street
Sydney NSW 2000

The directors of the Company present their report, together with the financial statements of ALE, for the year ended 30 June 2020.

1. DIRECTORS

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

Name	Experience, responsibilities and other directorships

Robert Mactier, B.Ec
Independent Non Executive Director
Chairman of the Board

Appointed: 28 November 2016 Appointed Chair: 23 May 2017
Member of the Audit, Compliance and Risk Management Committee (ACRMC)
Member of the Nominations Committee
Member of the Remuneration Committee

Robert's other current roles include Chairman of ASX-listed WPP AUNZ Limited (since 2006) and Consultant to UBS AG in Australia (since June 2007). Between 2006 and January 2017 he served as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.

Robert began his career at KPMG and from January 1986 to April 1990 worked across their audit, management consulting and corporate finance practices. He has extensive investment banking experience in Australia, having previously worked for Ord Minnett Securities (now J P Morgan), E.L. & C. Baillieu and Citigroup between 1990 and 2006.

Robert holds a Bachelor's degree in economics from the University of Sydney, has been a Member of the Australian Institute of Company Directors since 2007 and is a former member of the Institute of Chartered Accountants in Australia and New Zealand.

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

Appointed: 26 November 2013 Appointed Chair of ACRMC: 26 October 2015
Chair of the ACRMC
Member of the Nominations Committee
Member of the Remuneration Committee

Pippa Downes is a respected Non-Executive Director with over 25 years of distinguished career achievements in the international business and finance sector. Pippa currently sits on the board of the Australian Technology Innovators (Infotrack, LEAP legal software, sympli), Ingenia Communities Group and is a Commissioner of Sport Australia. Pippa is a former Director of the Sydney Olympic Park Authority, Windlab Limited, and the ASX Clearing and Settlement companies and was a member of the ASX Disciplinary Tribunal.

Pippa has had a successful international banking and finance career and has led the local derivative and investment arms of several of the world's premier Investment Banks. Her most recent role was as a Managing Director and Equity Partner of Goldman Sachs in Australia. She is a member of the Australian Institute of Company Directors and Women Corporate Directors and in 2016 was named as one of the Westpac/AFR's 100 Women of Influence for her work in diversity. Pippa's long standing passion for diversity, sport and educational disadvantage has been focussed through her governance and fundraising work on not for profit entities such as The Pinnacle Foundation, Swimming Australia and the Swimming Australia Foundation.

She has a Master's in Applied Finance from Macquarie University and Bachelor of Science (Business Administration) from University of California, Berkeley. Pippa was a dual international athlete having been a member of the Australian Swim Team and represented Hong Kong at the International Rugby Sevens.

Name	Experience, responsibilities and other directorships

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

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

Nancy has been a professional non-executive director for over a decade. She is a former lawyer with over 30 years' experience with primary areas of legal expertise in insurance, risk management and corporate governance. She was a partner with Clayton Utz until 2003 and a consultant until 2012. She is currently Chairman of the Securities Exchange Guarantee Corporation, and deputy chairman of the State Insurance Regulatory Authority. She is also currently the Chair of the Accounting Professional and Ethical Standards Board. She was previously a director of Australand Property Group, Crowe Horwarth Australasia, FBR Limited, State Plus and Novion Property Group (now Vicinity Centres).

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

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

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

Paul has over 35 years' experience in commercial and residential property management, development and real estate transactions with major multinational institutions. Paul was Chief Investment Officer at Dexus Property Group from 2007 to 2012. Prior to that he was with Lend Lease Corporation for 11 years in various positions culminating with being the Head of Corporate Finance. Paul is a director of Frasers Logistic & Industrial Trust (SGX listed) and was previously a director of GPT Metro Office Fund.

Paul has a Graduate Diploma in Finance and Investment and a Graduate Diploma in Financial Planning. He is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Australian Property Institute and a Licensed Real Estate Agent (NSW, VIC and QLD).

Michael Triguboff *BA (Syd), LLB (UNSW)*
Non Executive Director
Nominee of Caledonia (Private) Investments Pty Ltd

Appointed: 15 February 2018

Michael is a founding Director of Adexum Capital Limited, a private equity company investing in both public and private mid-market companies. Michael is also Chief Executive Officer of Pyrolyx AG, a dual listed German and Australian tyre recycling company.

Mr Triguboff has a background in equity funds management with groups including MIR and Lazard Asset Management Pacific, and Lazard Asia Funds. He was a global partner of Lazard Freres & Co. He was previously based in the USA and held positions with Quantum Funds and Equity Investments with a focus on principal investments in both public and private companies.

Michael's academic qualifications include; Bachelor of Arts from the University of Sydney, Bachelor of Laws from University of New South Wales, Master of Business Administration from New York University, Master of Business Systems from Monash University, Master of Computer Science from University of Illinois at Urbana - Champaign / Columbia University, and Master of Criminology and Master of Laws from University of Sydney.

Bernard Stanton
Non Executive Director
Nominee of Caledonia (Private) Investments Pty Ltd

Appointed: 13 September 2019
Member of the ACRMC

Bernard was most recently an Executive Director with the Caledonia funds management group from 2005 to June 2019.

Bernard has more than 40 years senior executive experience in Australia, USA, Europe and Asia.

Bernard holds a Bachelor's degree in Economics from La Trobe University and an MBA from Melbourne University.

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

2. OTHER OFFICERS

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

3. INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directorships of listed entities within the last three years

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

Director	Directorships of listed entities	Type	Appointed as Director	Resigned as Director
R W Mactier	WPP AUNZ Limited	Non-executive	December 2006	
P G Say	Frasers Logistic & Industrial Trust (SGX listed)	Non-executive	June 2016	
P J Downes	Windlab Limited	Non-executive	July 2017	June 2020
P J Downes	Ingenia Communities Group	Non-executive	December 2019	
N J Milne	FBR Limited	Non-executive	August 2018	January 2020
M P Triguboff	Pyrolyx AG	Non-executive	February 2015	

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

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

Name	Role	Number held at the start of the year	Net movement	Number held at the end of the year
R W Mactier	Non-executive Director	50,000	-	50,000
P J Downes	Non-executive Director	189,110	-	189,110
P G Say	Non-executive Director	25,000	-	25,000
N J Milne	Non-executive Director	20,000	-	20,000
M P Triguboff	Non-executive Director	-	-	-
B D Stanton	Non-executive Director	-	-	-
A F O Wilkinson	Executive Director	464,834	27,020	491,854
A J Slade	Capital Manager	75,888	13,510	89,398
M J Clarke	Company Secretary and Finance Manager	24,355	5,246	29,601

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

Name	Role	Number held at the start of the year	Granted during the year	Lapsed / Delivered during the year	Number held at the end of the year
ESSS Rights					
A F O Wilkinson	Executive Director	91,053	10,967	(27,020)	75,000
A J Slade	Capital Manager	46,080	5,483	(13,510)	38,053
M J Clarke	Finance Manager	12,739	8,225	(5,246)	15,718

Meetings of directors

The number of meetings of the Company's Board of Directors held and of each Board committee during the year ended 30 June 2020 and the number of meetings attended by each director at the time the director held office during the year were:

Director	Board		ACRMC		Nominations and Remuneration Committee	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
R W Mactier	11	11	6	6	4	4
P J Downes	11	11	6	6	4	4
P G Say	11	11	6	6	4	4
N J Milne	11	11	6	6	4	4
B D Stanton	9	8	-	-	n/a	n/a
M P Triguboff	11	8	n/a	n/a	n/a	n/a
A F O Wilkinson	11	11	n/a	n/a	n/a	n/a

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

4. PRINCIPAL ACTIVITIES

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

5. OPERATIONAL AND FINANCIAL REVIEW

Background

ALE Property Group is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of 86 pub properties across the five mainland states of Australia. All of the properties in the portfolio are leased to Australian Leisure and Hospitality Group Pty Limited (ALH) for an average remaining initial lease term of 8.3 years plus options for ALH to extend.

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

- For most of the properties the leases commenced in November 2003 with an initial term of 25 years to 2028;
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland (three of the 86 properties are double net);
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI;
- Change of control protections – a change in more than 20% of the ownership of ALH requires ALE's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity)
- Assignment protections - following ALE approved assignments, ALE continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 8.3 years, as ALH is not released on assignment;
- All earnings from all improvements on the properties are included for rent review purposes, irrespective of who funded the improvements;
- A rent review commenced in November 2018 which is capped and collared within 10% of the 2017 rent; and
- There is a full open rent review (no cap and collar) in November 2028.

Current year performance

ALE produced a profit after tax of $20.0 million for the year ended 30 June 2020 compared to a profit of $26.6 million for the year ended 30 June 2019. The decrease is primarily due to:

- Increases in rental income of 2.0% due to CPI increases on 40 properties averaging 1.7% and the full year impact of the November 2018 rent review increase of 10% on 36 of those 40 properties;
- Fair value adjustments to investment properties decreased from $26.6 million to $10.9 million;
- Fair value adjustments to derivatives liabilities decreased from a decrement of $25.2 million to $17.3 million in the current year as long term interest rates continued to decrease;
- Interest income was lower due to lower average funds on deposit and lower deposit rates;
- Finance costs were consistent with the prior year; and
- Management costs decreased during the year due to the prior year amount including significant costs associated with the rent review submissions. ALE's normalised management expense ratio continues to be one of the lowest in the A-REIT sector.

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

During the financial year ALE produced a distributable profit of $30.4 million compared to $28.3 million in the previous financial year. The table below separates the cash components of ALE's profit that are available for distribution from the non-cash components. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was primarily impacted by the same cash items that affected Operating Profit, namely changes in rent and management expenses.

	30 June 2020 $'000	30 June 2019 $'000
Profit after income tax for the year	**20,023**	26,620
Adjustment for non-cash items		
Fair value adjustments to derivatives and investment properties	6,376	(1,484)
Employee share based payments	204	117
Finance costs - non-cash	3,815	3,014
Income tax expense	(7)	26
Total adjustments for non-cash items	**10,388**	1,673
Total profit available for distribution	**30,411**	28,293
Distribution paid or provided for	40,916	40,916
Over distributed for the year	**(10,505)**	(12,623)
Distribution funded as follows		
Current year distributable profits	30,411	28,293
Capital and surplus cash reserves	10,505	12,623
	40,916	**40,916**

	Percentage Increase / (Decrease)	30 June 2020 Cents	30 June 2019 Cents
Earnings and distribution per stapled security:			
Basic earnings	(24.78%)	10.23	13.60
Earnings available for distribution	7.47%	15.53	14.45
Total distribution	0.00%	20.90	20.90
Current year distributable profits		15.53	14.45
Capital and surplus cash		5.37	6.45
		20.90	20.90

Financial position

ALE's net assets decreased by 3.5%. This was attributable to the distributions exceeding the accounting profit. Accounting profit included cash items as wells as non-cash items including fair value increases in derivative liabilities and increases in property values.

Investment property valuations increased in value by 0.9% from $1,163.2 million to $1,174.1 million during the year. The increase in property valuations was attributable to rent reviews in the current year that averaged 1.7% on 43 properties and a slight drop in adopted capitalisation rates from 5.09% to 5.08% across the portfolio. When assessing statutory valuations the independent valuers applied both traditional capitalisation rate and discounted cashflow (DCF) based valuation methods. The valuation results reflect a combination of these methods but continue to place significant emphasis upon the traditional capitalisation rate approach.

ALE believes that the DCF method provides a comprehensive view of the quality of the lease and tenant as well as the medium and longer term opportunities for reversion to market based levels of rent. In applying the DCF method the valuers made their own independent assessment of the tenant's current level of EBITDAR and also adopted industry standard market rental ratios. The valuers also used a range of assumptions they deemed appropriate for each of the individual properties. Based upon their assessments and assumptions the valuers' DCF valuations represented a weighted average yield of around 4.51% for 82 properties valued. This compares to the adopted yield of 5.08% for the portfolio which was derived using a combination of the DCF and capitalisation rate methods.

Net assets per stapled security decreased by 3.5% from $3.09 to $2.99 compared to June 2019.

During the year covenant gearing reduced from 41.5% to 41.3% for the AMTN issuing entity, ALE DPT. ALE continues to maintain appropriate headroom to all debt covenants with the nearest covenant trigger equivalent to an average 33% fall in property values. Also in April 2020 ALE secured a debt facility of $250 million to repay the maturing AMTN and bank debt facilities.

ALE's debt capital structure continues to be characterised by the following positive features:
- investment grade credit rating of Baa2 (stable);
- debt maturity dates that are diversified over the next 2.4 years;
- 100% of forecast net debt hedged for the next 5.4 years;
- interest cover ratio well above covenant level at 2.7 times;
- all up cash interest rate of 4.11% p.a. fixed until the next refinancing in April 2022; and
- lower covenant gearing of 41.3% (2019: 41.5%).

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

Historical performance

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

	FY16	FY17	FY18	FY19	FY20
Distributable profit ($m)	29.6	29.1	29.0	28.3	30.4
Distribution per Security (cents)	20.00	20.40	20.80	20.90	20.90
Continuing property values ($m)[2]	990.5	1,080.2	1,136.3	1,163.2	1,174.2
Covenant gearing [1]	44.9%	42.7%	41.6%	41.5%	41.3%

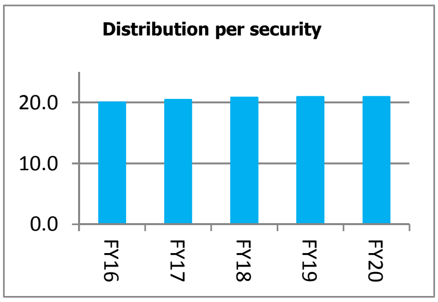
1. Total borrowings less cash as a percentage of total assets less cash, deferred tax assets and derivatives for bond issuing entity, ALE DPT

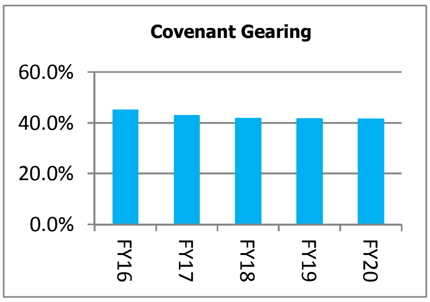
2. Includes only the value of properties held as at 30 June 2020

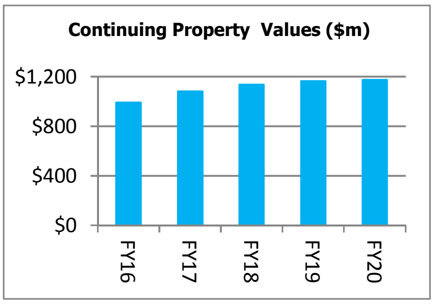
The accumulated value of $1.00 initial public offering (IPO) investment in ALE and reinvested distributions, rights renunciation payments and the $4.97 market value of securities as at 30 June 2020 totalled $17.67. This is equivalent to 18.9% p.a. total return since the ASX listing.

For the period ending 30 June 2020, ALE continued to perform strongly compared to other equity return benchmarks including the AREIT 300 index and the All Ordinaries index over the medium and long term.
- For the three year period ALE's total return of 6.3% exceeded both the AREIT 300 index total return of 2.3% and the All Ordinaries Index of 5.4%[1]
- For the five year period ALE's total return of 10.8% outperformed both the AREIT 300 index of 4.7% and the All Ordinaries Index of 6.2%.[1]
- For the ten year period ALE's total return of 15.2% outperformed both the AREIT 300 index of 9.2% and the All Ordinaries Index of 7.5%.[1]

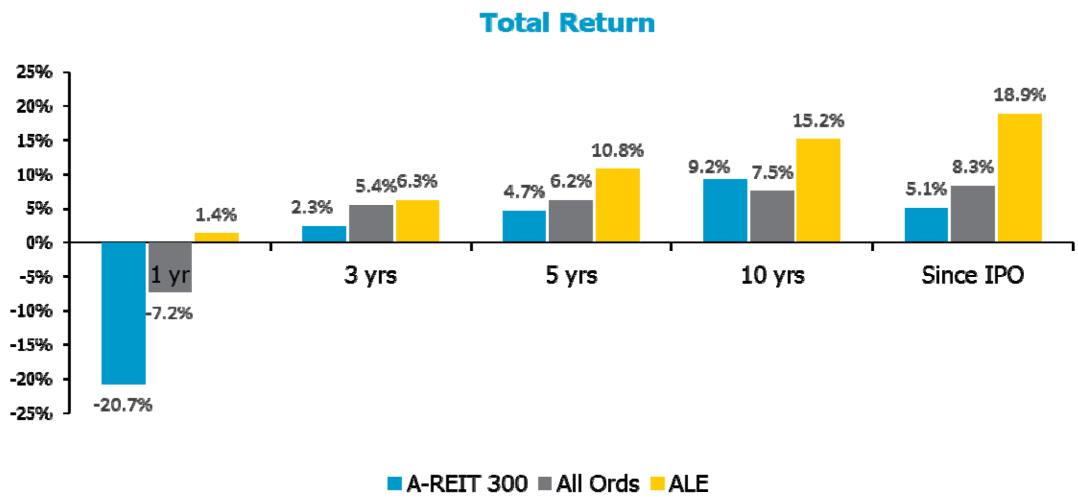
1. Source: UBS







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



1.Includes ALE's equity market price of $4.97 as at 30 June 2020 and reinvestment of distributions and 2009 renunciation payment
2.All Ordinaries Accumulation Index
3.UBS S&P REIT 300 Index

Business strategies and future prospects

ALE holds a positive outlook for the rent review prospects for the portfolio. In November 2018 the first major review was due with the reviewed rent capped and collared within 10% of the November 2017 rent for the majority of properties. There is also a full open rent review (no caps or collars) in November 2028. Rent Determinations for 43 properties remain in progress at the date of this report.

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

As previously advised, following the finalisation of the rent determinations, ALE's Board will review the appropriateness of the current distribution and capital management policy.

COVID-19

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties. The effects of the ongoing COVID-19 pandemic on human life have been devastating. Its impact on the world economy has been unprecedented in both scale and speed.

ALE's first actions were to ensure the wellbeing and safety of our staff. The Company implemented its Business Continuity Plan and staff were able to work from home with minimal impact on normal day to day operations. As the crisis eased and restrictions were lifted ALE implemented appropriate return to work policies in accordance with Government recommendations. To date there has been minimal impact on ALE's operating performance or financial position, and property values, as determined independently, have been maintained at pre COVID-19 levels, showing the resilience and strength of ALE's long-term the lease covenants and the operating and financial strength of the lessee. The Directors and management continue to monitor the situation closely and expect the year ahead to be challenging as the recovery from the effects of the pandemic, from a financial and community perspective, will be long lasting.

Our investment properties are used by ALH as operating pubs and retail liquor outlets. In accordance with Government emergency measures the operating pubs were closed in March 2020 and in the States where restrictions have been relaxed the pub operations have gradually reopened. During the financial period ALH has been paying rent in accordance with the requirements of the leases. The Directors will continue to monitor the business environment to determine if there are any material impacts on ALH's operations that may impact ALE. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, or if ALH does not continue to meet its rental obligations (being a key assumption underlying the property valuations), this may have an adverse impact to the fair value of ALE's property portfolio.

Significant changes in the state of affairs

In the opinion of the directors, other than matters mentioned above in the Operation and Financial review, no significant changes in the state of affairs of ALE occurred during the year.

Material business risks

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

Risk	Impact	Risk Management Mitigation
COVID-19 Risk	Properties ALE own are operated as pubs and retail liquor outlets. As part of Government measures the operations are subject to various trading retrictions. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, or if ALH does not continue to meet its rental obligations (being a key assumption underlying the property valuations), this may have an adverse impact to the fair value of ALE's property portfolio and ALE's operating results.	The Directors will continue to monitor the business environment to determine if there are any material impacts on ALH's operations that may impact ALE.
Tenant and sector concentration risk	All 86 of ALE's pub properties are leased to a single tenant, ALH which is owned by Endeavour Group Limited. Endeavour Group is owned by Woolworth (85.4%) and the Bruce Mathieson Group (14.6%). In addition all properties are utilised as operating pubs and retail liquor outlets. In the event of a default in rental payments by the tenant, ALE may be unable to pay interest on borrowings and distributions to securityholders.	ALE manages this risk by monitoring the operating performance of each of the hotels and ALH on a regular basis. ALE will continue to monitor developments concerning ALH closely as the credit profile of ALH may impact ALE's future ability to secure debt finance at competitive credit margins. ALE also has the option of selling properties and/or issuing equity to meet its debt obligations.

Risk	Impact	Risk Management Mitigation
Property Valuation Risk	Properties that ALE owns have values that are exposed to movements in the Australian commercial property markets, changes in rent and the general levels of long and short term interest rates	ALE is unable to control the market forces that impact ALE's property values however ALE constantly monitors the property market to assess general trends in property values. ALE undertakes on-going condition and compliance audits of our properties and has independent valuers perform valuations on at least one third of the property portfolio on an annual basis. Declines in ALE's property values are recorded on the Statement of Comprehensive Income, any decreases in value will have a negative impact on the statutory net profit and net tangible assets per security and in turn the market price of the Group's securities may fall. Increases in gearing could also reduce headroom to debt covenants. At 30 June 2020 the closest debt covenant would be triggered by a decline of around 33% in property values and a resultant average capitalisation rate of 7.61%. By way of comparison it should be noted that in the last 12 years the highest average capitalisation rate of ALE properties has been 6.60%. ALE considers it currently has sufficient headroom in it's debt covenants.
Refinancing and interest rate risk	ALE currently has outstanding borrowings of $557 million, representing a covenant gearing level of 41.3%. ALE consequently faces refinancing risk as and when borrowings mature and require repayment. Failure, delays or increased credit margins in refinancing borrowings could subject ALE to a number of risks that could potentially impact future earnings. ALE faces the risk of reduced profitability and distributions should interest rates on borrowings increase materially.	To mitigate this risk ALE uses fixed rate borrowings and hedges variable rate borrowings for the medium and long term. Existing arrangements effectively hedge ALE's forecasted net debt to November 2025 at weighted average base rates of between 3.11% and 3.46%. ALE proactively staggers debt maturities, continually monitors debt markets, actively seeks to maintain ALE's current credit rating of Baa2 and maintains relationships with diverse funding markets to maximise the opportunity for multiple funding options.
Liquidity risk	The risk that ALE may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.	ALE monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand as required or debt facility funding available to meet financial liabilities as they fall due. ALE has a long track record of consistently approaching debt markets for refinancing well in advance of the scheduled debt maturity dates.
Regulatory Risk	Changes to liquor licence regulation or gaming licence regulation could significantly impact the trading performance of the operating businesses of ALH and therefore impact the EBITDAR of ALH. EBITDAR is a key determining factor for rent reviews and therefore could impact on ALE's long term profitability.	ALE is unable to control regulatory changes that may impact on the gaming and liquor licences operating in our properties. It monitors the regulatory settings and public debate in each state to determine potential changes and their potential implications for ALE.
Personnel risk	ALE may be unable to recruit, retain and motivate key personnel.	ALE has a small management team and employee base. Key person risk is therefore significant. To mitigate this risk ALE seeks to document all business and operating processes and ensure the management team have cross functional capabilities where possible. Where functions require specialised skills, external consultants can be engaged to cover functions if required.

Risk	Impact	Risk Management Mitigation
Environmental (including climate risk), social and economic risk	The risk that our operating and investment activities, or those of our tenant, give rise to unintended environmental (including climate change), social (including problem gambling and alcohol) and economic consequences.	ALE strives to minimise the impacts of its business and operating decisions on the environment, society and the economy. Outside the rights included in the leases and other agreements, ALE is unable to control the operations of ALH that may have a negative impact from the operations at our properties but monitors these potential impacts and liaises with ALH to seek to understand the actions they are taking to mitigate any consequences.

6. DISTRIBUTIONS AND DIVIDENDS

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

	30 June 2020 cents per security	30 June 2019 cents per security	30 June 2020 $'000	30 June 2019 $'000
Final Trust income distribution for the year ending 30 June 2020 to be paid on 7 September 2020	**10.45**	10.45	**20,458**	20,458
Interim Trust income distribution for the year ending 30 June 2020 paid on 5 March 2020	**10.45**	10.45	**20,458**	20,458
Total distribution for the year ending 30 June 2020	**20.90**	20.90	**40,916**	40,916

No provisions for or payments of Company dividends have been made during the year (2019: nil).

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The COVID-19 pandemic has created unprecedented economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place. ALE continues to receive rental income in accordance with the agreed lease arrangements with ALH.

Prior to issuing this report, management consulted with the independent valuers who undertook the valuations as at 30 June 2020 as to whether any events subsequent to balance date have changed their view of the 30 June 2020 valuations. The independent valuers and management are of the opinion that appropriate considerations have been made at 30 June and there has been no changes to the valuations subsequent to balance date.

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

ALE will continue to maintain a strategy of preserving and enhancing the profitability and value of its portfolio of properties for the benefit of its stapled securityholders.

In accordance with the leases of its investment properties, ALE has until November 2017 received annual increases in rental income in line with increases in the consumer price index. The first non CPI based market rent review commenced in November 2018 for 79 of ALE's properties. As at balance date 36 properties had received a full increase of 10% and 43 properties are to be determined by expert determining valuers. It is anticipated that the rent determinations will be concluded in the first quarter of FY21. The results of the rent determinations and the ongoing COVID-19 pandemic may have a negative or positive impact of property valuations. Following the rent determinations ALE will seek to update the independent valuations of all 86 investment properties.

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

9 REMUNERATION REPORT (Audited)

The Remuneration Report presented below is the remuneration report included in the Directors' Report of Australian Leisure and Entertainment Property Management Limited (the "Company"). This report provides details on ALE's remuneration structure, decisions and outcomes for the year ended 30 June 2020 for employees of ALE including the directors, the Managing Director and key management personnel. This information has been audited as required by section 308(3C) of the Act.

9.1 Remuneration Objectives and Approach

In determining a remuneration framework, the Board aims to ensure the following:
- attract, reward and retain high calibre executives;
- motivate executives to achieve performance that creates value for stapled securityholders; and
- link remuneration to performance and outcomes achieved.

The framework aligns executive reward with achievement of strategic objectives and creation of value for stapled securityholders. To do this the Board endeavours to ensure that executive reward satisfies the following objectives:
- alignment with ALE's financial, operational, compliance and risk management objectives so as to achieve alignment with positive outcomes for stapled securityholders;
- alignment with ALE's overall performance;
- transparent, reasonable and acceptable to employees and securityholders;
- rewards the responsibility, capability, experience and contribution made by executives;
- recognises individual executive's contributions towards value accretive outcomes when measured against Key Performance Indicators (KPIs); and
- market competitive and complementary to the reward strategy of the organisation.

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

9.2 Remuneration and Nominations Committee

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

The Committee's charter sets out its role and responsibilities. The charter is reviewed on an annual basis. In fulfilling its role the Committee endeavours to ensure the remuneration framework established will:
- reward executive performance against agreed strategic objectives;
- encourage alignment of the interests of executives and stapled securityholders; and
- ensure there is an appropriate mix between fixed and "at risk" remuneration.

The Committee operates independently of management in its recommendations to the Board and engages remuneration consultants independently of management. During the year ended 30 June 2020, the Committee consisted of the following:

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

Page 2 and 3 of this Annual Report provides information on the skills, experience and expertise of the Committee members.

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

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

9.3 Executive Remuneration

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

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

9.3.1 Fixed Annual Remuneration (FAR)

What is FAR?	FAR is the guaranteed salary package of the executive and includes superannuation guarantee levy and salary sacrificed components such as motor vehicles, computers and superannuation.
How is FAR set?	FAR is set by reference to external market data for comparable roles and responsibilities within similar listed and unlisted entities within Australia.
When is FAR Reviewed?	FAR is reviewed in December each year with any changes being effective from 1 January of the following year.

9.3.2 Executive Incentive Scheme (EIS)

What is EIS?

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

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

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

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

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

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

How are EIS targets and objectives chosen?

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

How is EIS performance assessed?

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

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

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

9.3.3 Summary of Key Contract Terms

Contract Details

Executive	Andrew Wilkinson	Andrew Slade	Michael Clarke	Mark Crick[1]
Position	Managing Director	Capital Manager	Finance Manager and Company Secretary	Asset Manager
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	$495,126	$279,618	$300,000	$270,000
Notice by ALE	6 months	3 months	3 months	3 months
Notice by Executive	6 months	3 months	3 months	3 months

1. Mark Crick commenced employment on 6 July 2020

Managing Director

Mr Wilkinson has signed a service agreement that commenced on 1 September 2014. The current base salary, inclusive of superannuation, is $495,126 and is reviewed annually each 31 December by the Board. An EIS, if earned, would be paid 50% as a cash bonus in August each year and 50% in stapled securities issued under the ESSS and delivered three years following each of the annual grant dates.

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

On 14th May 2020 the Board announced that Mr Guy Farrands will join ALE as a consultant with effect from 20 May 2020. Mr Farrands will be providing consultancy and advisory services to Mr Wilkinson and the Board, prior to Mr Wilkinson stepping down as CEO and Managing Director, which is anticipated to take place in the first quarter of FY 2021. At that time it is intended that Mr Farrands will be appointed as CEO of ALE and Mr Wilkinson will continue to work closely with Mr Farrands and the Board to ensure a smooth transition, transfer of corporate history and an in-depth understanding of the 2018 rent determination process.

9.4 Executive Remuneration outcome for year ended 30 June 2020

The amount of remuneration paid to Directors and Key Management Personnel is detailed in the table on page 19 of the Annual Report.

Fixed Remuneration Outcomes

Fixed Remuneration for all executives was reviewed effective 1 January 2020. Increases of 2% were awarded to executives. An increase of 8.9% was awarded to Michael Clarke in recognition of increased responsibilities, including appointment as a Responsible Manager for the AFS Licence.

Executive Incentive Scheme Outcomes

For the year to June 2020 ALE delivered a total return of 1.4%. This outperformed the total returns of both the S&P/ASX 300 REIT at -20.7% and the wider S&P/ASX 300 at -7.2%. With a total return of 18.9% per annum since its 2003 IPO, ALE continues to perform well over that extended period when compared to the comparative indexes.

The Committee reviewed the overall performance of ALE and the individual performance of all executives for the year ending 30 June 2020. It was assessed by the Committee that a number of the key performance indicators (KPIs) were met and others were not. In particular the Committee noted:

Property and Strategic Matters

- Following the very significant workload undertaken by ALE's small management team in FY19 to successfully complete a large submission package relating to the 2018 rent review, management continued to work closely with the determining valuers and provide the additional information that they required;

Capital Matters

- Management implemented a $250 million debt facility to fully repay a maturing AMTN and small bank debt facility in a time of market volatility due to COVID-19 and was seen as proactive risk management;
- Importantly, the debt facility did not lock in elevated margin costs for an extended period. Instead, it is intended that the facility be refinanced as soon as favourable terms are available for an extended tenor in the public or private debt markets;
- Management reviewed a range of other strategic initiatives with particular focus on value enhancement and risk mitigation; and
- ALE continued to deliver both medium and long term total returns for securityholders that outperformed most of the other AREITs in the sector.

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

The Board is aware of market expectations for board and senior executives to be sharing the financial impact of COVID-19 through reduced remuneration. The Board considered the issues and took the view that ALE stakeholders were not currently directly impacted by CIVID-19, deciding that there would be no action on FY20 EIS incentives and that any adjustment to staff and director salaries would be reconsidered if circumstances changed.

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

Executive	Target EIS (as % of FAR)	EIS Awarded (as % of FAR)	EIS Awarded as a % of Target	EIS Awarded	Cash Component	ESSS Component
Andrew Wilkinson	60%	60.0%	100.0%	$297,076	$148,538	$148,538
Andrew Slade[1]	50%	25.5%	51.1%	$50,000	$25,000	$25,000
Michael Clarke	n/a	20.0%	-	$60,000	$30,000	$30,000

1. Based on available hours worked during the period

Consequences of performance on securityholder wealth

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

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

9.5 Disclosures relating to equity instruments granted as compensation

9.5.1 Outstanding equity instruments granted as compensation

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

Executive	Number of Rights Outstanding	Grant Date	Performance Period Start Date	Fair value of Right at Grant Date ($)	Approximate Delivery Date	% vested in year	% forfeited in year
ESSS Rights							
A F O Wilkinson	34,082	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A F O Wilkinson	29,951	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A F O Wilkinson	10,967	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
A J Slade	18,475	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
A J Slade	14,095	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
A J Slade	5,483	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
M J Clarke	4,870	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
M J Clarke	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
M J Clarke	8,225	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil
D J Shipway [1]	3,044	24 Oct 17	1 Jul 16	4.11	31 Jul 20	Nil	Nil
D J Shipway [1]	2,623	25 Oct 18	1 Jul 17	4.77	31 Jul 21	Nil	Nil
D J Shipway [1]	1,097	2 Mar 20	1 Jul 18	4.56	31 Jul 22	Nil	Nil

1. Mr Shipway resigned effective 24 October 2019 and at the discretion of the Board his ESSS rights remain active and may be issued when they vest.

9.5.2 Modification of terms of equity settled share based payment transactions

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

9.5.3 Analysis of movements in ESSS rights

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

Executive	Opening Balance	Granted in Year	Stapled Securities Delivered in the Year	Lapsed in the Year	Closing Balance	Securities Delivered in the year - value paid $
By Value ($)						
A F O Wilkinson	385,735	50,000	(103,000)	-	332,735	142,357
A J Slade	194,562	25,000	(51,500)	-	168,062	71,179
M J Clarke	52,500	37,500	(20,000)	-	70,000	27,639
D J Shipway [1]	32,500	5,000	(7,500)	-	30,000	10,369
By Number						
A F O Wilkinson	91,053	10,967	(27,020)	-	75,000	
A J Slade	46,080	5,483	(13,510)	-	38,053	
M J Clarke	12,739	8,225	(5,246)	-	15,718	
D J Shipway [1]	7,635	1,097	(1,968)	-	6,764	

1. Mr Shipway resigned effective 24 October 2019 and at the discretion of the Board his ESSS rights remain active and may be issued when they vest.

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

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

9.6 Equity based compensation

The value of ESSS disclosed in section 9.5.3 and 9.8 is based on the value of the grant at the award date. The number of Stapled Securities issued annually under the ESSS award will be determined by dividing the value of the grant by the volume weighted average price for the five trading days commencing the day following the signing of ALE Property Group's full year statutory financial statements, and grossing this number up for estimated distributions over the deferred delivery period. The number of securities granted in the current year will be determined during the five trading days finishing on 13 August 2020.

9.7 Non-executive Directors' Remuneration

9.7.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the Company Board within the aggregate amount approved by shareholders. The current aggregate amount which has been approved by shareholders at the AGM on 29 October 2019 was $850,000.

The Board reviews its fees to ensure that ALE non-executive directors are remunerated fairly for their services, recognising the level of skill, expertise and experience required to conduct the role. The Board reviews its fees from time to time to ensure it is remunerating directors at a level that enables ALE to attract and retain the right non-executive directors. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive directors' fees and payments were last reviewed in the 2020 financial year. The results of this review are shown in the fees listed below. The Chairman is not present at any discussion relating to the determination of his own remuneration. Non-executive directors do not receive any equity based payments, retirement benefits or other incentive payments.

9.7.2 Remuneration Structure

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

The current remuneration was reviewed in January 2020. This resulted in no changes to the fee levels indicated below. The Directors' fees are inclusive of superannuation, where applicable.

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

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

9.8 Details of remuneration

Amount of remuneration

Details of the remuneration of the key management personnel for the current year and for the comparative year are set out below in tables 1 and 2. The cash bonuses were dependent on the satisfaction of performance conditions as set out in the section 9.4 headed "Executive Incentive Scheme Outcomes". Equity based payments for 2020 are non-market based performance related as set out in section 9.4. All other elements of remuneration were not directly related to performance.

Table 1 Remuneration details 1 July 2019 to 30 June 2020

Details of the remuneration of the Key Management Personnel for the year ended 30 June 2020 are set out in the following table:

Key management personnel		Short term				Post employment benefits			Equity based payment			
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Superannuation benefits $	Other long term benefits $	Termination benefits $	ESSS $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration $
R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	195,000	-	-
P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	115,000	-	-
P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	120,000	-	-
N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	110,000	-	-
B D Stanton[1]	Non-executive Director	69,200	-	-	69,200	6,574	-	-		75,774	-	-
M P Triguboff	Non-executive Director	95,000	-	-	95,000	-	-	-		95,000	-	-
A F O Wilkinson	Executive Director	469,674	148,538	-	618,212	21,003	11,300	-	148,538	799,053	37.2%	18.6%
A J Slade	Capital Manager	237,446	25,000	-	262,446	19,699	6,902	-	25,000	314,047	15.9%	8.0%
M J Clarke	Company Secretary and Finance Manager	267,713	30,000	-	297,713	21,003	10,227	-	30,000	358,943	16.7%	8.4%
D J Shipway[2]	Asset Manager	53,144	-	-	53,144	5,049	-	-	-	58,193	0.0%	0.0%
		1,695,739	203,538	-	1,899,277	109,766	28,429	-	203,538	2,241,010		

1. Bernard Stanton was appointed a Director on 13 September 2019.
2. Don Shipway resigned on 24 October 2019

Table 2 Remuneration details 1 July 2018 to 30 June 2019

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

Key management personnel		Short term				Post employment benefits			Equity based payment			
Name	Role	Salary & Fees $	STI Cash Bonus $	Non monetary benefits $	Total $	Superannuation benefits $	Other long term benefits $	Termination benefits $	ESSS $	Total $	S300A(1)(e)(i) proportion of remuneration performance based $	S300A(1)(e)(vi) Value of equity based payment as proportion of remuneration $
R W Mactier	Non-executive Director	178,082	-	-	178,082	16,918	-	-	-	195,000	-	-
P J Downes	Non-executive Director	105,023	-	-	105,023	9,977	-	-	-	115,000	-	-
P G Say	Non-executive Director	120,000	-	-	120,000	-	-	-	-	120,000	-	-
N J Milne	Non-executive Director	100,457	-	-	100,457	9,543	-	-	-	110,000	-	-
J T McNally[3]	Non-executive Director	11,008	-	-	11,008	-	-	-		11,008	-	-
M P Triguboff	Non-executive Director	95,000	-	-	95,000	-	-	-		95,000	-	-
A F O Wilkinson	Executive Director	460,127	50,000	-	510,127	20,531	10,898	-	50,000	591,556	16.9%	8.5%
A J Slade	Capital Manager	145,175	25,000	-	170,175	11,977	1,002	-	25,000	208,154	24.0%	12.0%
M J Clarke	Company Secretary and Finance Manager	252,160	37,500	-	289,660	20,531	5,837	-	37,500	353,528	21.2%	10.6%
D J Shipway	Asset Manager	192,688	5,000		197,688	18,322	8,412	-	5,000	229,422	4.4%	2.2%
		1,659,720	117,500	-	1,777,220	107,799	26,149	-	117,500	2,028,668		

3 James McNally resigned as a director on 8 August 2018

10 STAPLED SECURITIES UNDER OPTION

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

11 STAPLED SECURITIES ISSUED ON THE EXERCISE OF OPTIONS

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

12 INSURANCE OF OFFICERS

During the financial year, the Company paid a premium of $393,600 (2019: $166,050) to insure the directors and officers of the Company. The auditors of the Company are in no way indemnified out of the assets of the Company.

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

13 NON-AUDIT SERVICES

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

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

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

	30 June 2020 $	30 June 2019 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports of the Group and other audit work required under the *Corporations Act 2001*		
- in relation to current year	175,785	194,065
- in relation to prior year	-	8,000
Total remuneration for audit services	**175,785**	**202,065**
Other services		
KPMG Australian firm:		
Other services	-	20,000
Total other services	**-**	**20,000**
Total remuneration	**175,785**	**222,065**

14 ENVIRONMENTAL REGULATION

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

15 AUDITOR'S INDEPENDENCE DECLARATION
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

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

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

Robert Mactier
Chairman

Andrew Wilkinson
Managing Director

Dated this 5th day of August 2020

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of ALE Property Group (comprising Australian Leisure and Entertainment Property Trust and its controlled entities including ALE Direct Property Trust, ALE Finance Company Pty Limited and Australian Leisure and Entertainment Property Management Limited) for the financial year ended 30 June 2020 there have been:

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

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

KPMG

Eileen Hoggett

Partner

Sydney

5 August 2020

FINANCIAL STATEMENTS

Notes to the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue			
Rent from investment properties	4.1	61,408	60,219
Interest from cash deposits	4.1	301	782
Total revenue		**61,709**	61,001
Other income			
Fair value increments to investment properties	2	10,930	26,639
Total other income		**10,930**	26,639
Total revenue and other income		**72,639**	87,640
Expenses			
Fair value decrements to derivatives - net	3.2	17,306	25,155
Finance costs (cash and non-cash)	4.3	25,856	25,217
Queensland land tax expense		3,313	2,907
Salaries and related costs	4.2	2,718	2,335
Other expenses	4.2	3,430	5,380
Total expenses		**52,623**	60,994
Profit before income tax		**20,016**	26,646
Income tax expense/(benefit)	4.4	(7)	26
Profit after income tax		**20,023**	26,620
Profit/(Loss) attributable to stapled securityholders of ALE		**20,023**	26,620
		Cents	**Cents**
Basic earnings per stapled security	4.7	10.23	13.60
Diluted earnings per stapled security	4.7	10.22	13.59

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

STATEMENT OF FINANCIAL POSITION

As At 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	3.5	39,568	33,111
Derivatives	3.2	-	691
Receivables		80	176
Other		709	350
Total current assets		**40,357**	34,328
Non-current assets			
Investment properties	2	1,174,160	1,163,230
Plant and equipment		25	39
Right of use asset		34	-
Deferred tax asset		306	296
Total non-current assets		**1,174,525**	1,163,565
Total assets		**1,214,882**	1,197,893
Current liabilities			
Payables		6,047	8,634
Employee benefits	5.1	292	294
Lease liability		42	-
Distribution payable		20,458	20,458
Total current liabilities		**26,839**	29,386
Non-current liabilities			
Borrowings	3.1	551,412	527,523
Derivatives	3.2	52,030	35,415
Total non-current liabilities		**603,442**	562,938
Total liabilities		**630,281**	592,324
Net assets		**584,601**	605,569
Equity			
Contributed equity	3.3	258,118	258,118
Reserve		804	782
Retained profits		325,679	346,669
Total equity		**584,601**	605,569
		$	$
Net assets per stapled security		**$2.99**	$3.09

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

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2020

	Share Capital $'000	Share Based Payments Reserve $'000	Retained Earnings $'000	Total $'000
2020				
Total equity at the beginning of the year	**258,118**	**782**	**346,669**	**605,569**
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	20,023	20,023
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	20,023	20,023
Transactions with Members of ALE recognised directly in Equity:				
Adjustment on initial application of AABS 16	-	-	(27)	(27)
Employee share based payments	-	204	-	204
Securities purchased - Employee share based payments	-	(182)	(70)	(252)
Distribution paid or payable	-	-	(40,916)	(40,916)
Total equity at the end of the year	**258,118**	**804**	**325,679**	**584,601**
2019				
Total equity at the beginning of the year	258,118	855	361,101	620,074
Total comprehensive income for the period				
Profit/(Loss) for the year	-	-	26,620	26,620
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	26,620	26,620
Transactions with Members of ALE recognised directly in Equity:				
Employee share based payments	-	117	-	117
Securities purchased - Employee share based payments	-	(190)	(136)	(326)
Distribution paid or payable	-	-	(40,916)	(40,916)
Total equity at the end of the year	258,118	782	346,669	605,569

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

	2020 $'000	2019 $'000
Cash flows from operating activities		
Receipts from tenant and others	67,600	66,254
Payments to suppliers and employees	(15,051)	(17,117)
Interest received - bank deposits	339	904
Net interest received - interest rate hedges	721	461
Borrowing costs paid	(26,189)	(22,155)
Net cash inflow from operating activities	**27,420**	**28,347**
Cash flows from investing activities		
Payments for investment property	-	(331)
Payments for plant and equipment	-	(3)
Net cash outflow from investing activities	**-**	**(334)**
Cash flows from financing activities		
Capitalised borrowing costs paid	(4,926)	-
Repayment of borrowings	(225,000)	-
Proceeds from borrowings	250,000	-
Lease payments	(121)	-
Distributions paid	(40,916)	(40,916)
Net cash inflow/(outflow) from financing activities	**(20,963)**	**(40,916)**
Net increase/(decrease) in cash and cash equivalents	**6,457**	**(12,903)**
Cash and cash equivalents at the beginning of the year	33,111	46,014
Cash and cash equivalents at the end of the year	**39,568**	**33,111**

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

	2020 $'000	2019 $'000
Profit for the year	20,023	26,620
Plus/(less):		
Fair value (increments) to investment property	(10,930)	(26,639)
Fair value decrements to derivatives	17,306	25,155
Finance costs amortisation	907	423
CIB accumulated indexation	2,908	2,591
Share based payments expense	204	117
Share based payments securities purchased	(252)	(326)
Depreciation	116	27
Decrease/(increase) in -		
Receivables	96	106
Deferred tax assets	(10)	(11)
Other assets	(359)	(42)
Increase/(decrease) in -		
Payables	(2,587)	287
Provisions	(2)	39
Net cash inflow from operating activities	**27,420**	28,347

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 30 June 2020

1. About this report

Reporting Entity

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. ALE is domiciled in Australia. ALE, the stapled entity, was formed by stapling together the units in the Trust and the shares in the Company. For the purposes of financial reporting, the stapled entity reflects the consolidated entity. The parent entity and deemed acquirer in this arrangement is the Trust. The results reflect the performance of the Trust and its subsidiaries including the Company from 1 July 2019 to 30 June 2020.

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

Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 5th August 2020.

Basis of preparation

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

COVID-19 Disclosures

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

ALE's first actions were to ensure the wellbeing and safety of our staff. The Company implemented its Business Continuity Plan and staff were able to work from home with minimal impact on normal day to day operations. As the crisis eased and restrictions were lifted ALE implemented appropriate return to work policies in accordance with Government recommendations. To date there has been minimal impact on ALE's operating performance or financial position, and property values, as determined independently, have been maintained at pre COVID-19 levels, showing the resilience and strength of ALE's long-term the lease covenants and the operating and financial strength of the lessee. The Directors and management continue to monitor the situation closely and expect the year ahead to be challenging as the recovery from the effects of the pandemic, from a financial and community perspective, will be long lasting.

Our investment properties are used by ALH as operating pubs and retail liquor outlets. In accordance with Government emergency measures the operating pubs were closed in March 2020 and in the States where restrictions have been relaxed the pub operations have gradually reopened. During the financial period ALH has been paying rent in accordance with the requirements of the leases. The Directors will continue to monitor the business environment to determine if there are any material impacts on ALH's operations that may impact ALE. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, or if ALH does not continue to meet its rental obligations (being a key assumption underlying the property valuations), this may have an adverse impact to the fair value of ALE's property portfolio.

Following the implementation of the Governments emergency plans and the shut down of businesses, global debt and equity markets were severely impacted. At that time ALE was in the process of organising refinancing of AMTN borrowings that were due for redemption in August 2020. In April 2020 a debt facility of $250 million was arranged and used to repay the maturing debt facilities in May 2020. ALE's next debt maturity is April 2022.

As at 30 June 2020, the Group had net working capital of $13.5 million, no debt maturities until April 2022 and minimal capital commitments. The directors have prepared projected cash flow information from balance date to 12 months from the date of approval of these financial

1. About this report

statements taking into consideration the continued minimal business impacts of COVID-19. The Directors have also considered the potential impacts if conditions change and if ALE's business is impacted.

Based on these forecasts, taking account of reasonably possible downsides the directors believe that it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that the Group is expected to continue to operate, with headroom, within available cash levels and the terms of its debt facilities.

Rounding of amounts

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

Accounting estimates and judgements

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

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

Significant accounting policies

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

(a) Principles of consolidation

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

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

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

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial

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

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

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

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

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

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

2.
Investment property

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

	2020 $'000	2019 $'000
Investment properties	1,174,160	1,163,230
Reconciliation of fair value gains/losses for year ending 30 June 2020		
Fair value as at beginning of the year	1,163,230	1,136,260
Additions during the year	-	331
Carrying amount before revaluations	**1,163,230**	1,136,591
Fair value as at end of the year	1,174,160	1,163,230
Fair value gain for the year	**10,930**	26,639

Recognition and measurement

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

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

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

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

Land and buildings classified as investment property are not depreciated.

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

Measurement of fair value

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. As at 30 June 2020, the weighted average investment property capitalisation rate used to determine the value of all investment properties was 5.08% (2019: 5.09%).

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the Statement of Comprehensive Income. ALE has a valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of property being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the Board's approved valuation policy. These external independent valuations are taken into consideration when determining the fair value of the investment properties. The weighted average lease term of the properties is around 8.3 years.

In the current financial year ALE had all properties, apart from those located in Western Australia independently valued. These valuations were completed by Savills and CBRE. The Western Australian properties were subject to Directors valuations.

2. Investment property

Measurement of fair value (continued)

Valuations reflect, where appropriate, the tenant in occupation, the credit worthiness of the tenant, the triple-net nature and remaining term of the leases (83 of 86 properties), land tax liabilities (Queensland only), insurance responsibilities between lessor and lessee and the remaining economic life of the property.

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices, have been served validly and within the appropriate time.

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

Rent determinations started in the previous years are in progress for 43 properties and are expected to be completed during the first quarter of FY21.

COVID-19

The COVID-19 pandemic has impacted market activity in many sectors in the economy and this has been particularly evident in the pub sector where trading restrictions have been put in place. Notwithstanding the uncertainty that the COVID-19 pandemic is currently having on property values, the valuation assessment undertaken by the Group indicates that demand still exists for prime assets secured by strong tenant covenants with long lease terms and yields are holding to pre COVID-19 levels. In the event that the impacts of COVID-19 become material or more prolonged than anticipated, and ALH does not continue to meet its rental obligations (being a key assumption underlying the valuations), this may have an adverse impact to the fair value of ALE’s property portfolio.

	2020 Adopted Yields	2019 Adopted Yields	**2020 Average**	2019 Average
New South Wales	**4.46% - 5.86%**	4.57% - 5.96%	**5.02%**	5.11%
Victoria	**2.80% - 5.77%**	2.75% - 6.00%	**5.07%**	5.06%
Queensland	**3.42% - 6.29%**	3.22% - 6.31%	**5.01%**	5.02%
South Australia	**4.20% - 5.77%**	4.02% - 5.80%	**5.12%**	5.07%
Western Australia	**5.80% - 6.93%**	5.80% - 6.93%	**6.29%**	6.22%

The fair value measurement for investment property of $1,174.16 million has been categorised as a level 3 fair value based on inputs to the valuation technique used.

Valuation techniques and unobservable inputs

Fair Value Hierarchy	**Class of Property**	**Fair Value 30 June 2020 $000's**	**Valuation Technique**	**Inputs Used To Measure Fair Value**	**Range of Individual Property Unobservable Inputs**
Level 3	Pubs	1,174,160	Capitalisation method	Gross rent p.a. ($'000's) Land tax p.a. ($'000's) Adopted capitalisation rate	$84 - $1,835 $7 - $193 2.80% - 7.04%
			Discounted cash flow method	Gross rent p.a. ($'000's) Land tax p.a. ($'000's) Discount rates p.a. Terminal capitalisation rates Consumer price index p.a.	$84 - $1,835 $7 - $193 5.25% - 8.68% 5.25% - 7.75% 1.29% - 2.60%

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

2. Investment property

Sensitivity analysis

Due to the uncertainty the COVID-19 pandemic is currently having on property values, sensitivity analysis has been undertaken to further stress test the assessment of fair value undertaken for year-end reporting requirements.

The following sensitivity analysis is based on a range of potential capitalisation rate and discount rate movements on a portfolio basis compared to the capitalisation rates and discount rates adopted by ALE at 30 June 2020, and are considered to be the key unobservable inputs that would be expected to have the most material impact on the fair values adopted if they moved.

As noted above the independent external Valuers use a combination of DCF and Capitalisation rate approaches to determine the adopted value. The stress testing performed was based on the same metrics used by the valuers for each property to determine an adapted value. The stress testing was based on moving discount rates and pure capitalisation rates by between +0.50% to -0.50% in 0.25% increments. The resultant adopted value is shown in the table below.

		Discount Rate Movement				
	'000's	***(0.50%)***	***(0.25%)***	**0.00%**	**0.25%**	**0.50%**
Capitalisation Rate Movement	***(0.50%)***	1,275,750	1,268,750	1,262,150	1,255,750	1,249,400
	(0.25%)	1,229,350	1,222,450	1,215,750	1,209,300	1,202,900
	0.00%	1,188,000	1,181,100	**1,174,160**	1,168,100	1,161,650
	0.25%	1,150,450	1,143,450	1,136,750	1,130,400	1,123,950
	0.50%	1,116,050	1,109,000	1,102,400	1,095,950	1,089,700

The results of the sensitivity analysis above demonstrates that stress testing the material key inputs by the ranges disclosed would result in a movements between of $101.6 million and ($84.5 million). This equates to between 8.65% and (7.19%) movement in values. Even at this unlikely worst case scenario, this would not result in Property values approaching the 33% decrease where debt covenants would be breached.

While the above sensitivity analysis provides an indication of the extent to which investment property values may move if the different rates are applicable in the future, ALE offers no forecast of future rates or values or the sufficiency of the rate movements included in the above analysis. The analysis also makes the assumption that an independent valuer will use the same proportion of Capitalisation Rate and DCF based values as they applied to the 30 June 2020 independent valuations included in these accounts.

Ownership arrangements

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

Put and call options

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

Leasing arrangements

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

	2020 $'000	2019 $'000
(i) Future minimum lease payments		
The future minimum lease payments in relation to non-cancellable leases are receivable as follows:		
Within one year	63,301	63,258
Later than one year but not later than five years	266,119	265,941
Later than five years	350,889	382,363
	680,309	711,562
(ii) Amount recognised in the profit and loss		
Rental income	61,408	60,219

The majority of ALE's leases expire in November 2028 and have 4 x 10 year options to extend. As the exercise of the options are unknown at this point the future minimum lease payments exclude the options.

2. Investment property

Valuation type and date

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

A Independent valuations conducted during June 2020 with a valuation date of 30 June 2020.
B Directors' valuations conducted during June 2020 with a valuation date of 30 June 2020.

Properties were purchased in November 2003, unless otherwise indicated.

Property	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2020 $'000	Fair value at 30 June 2019 $'000	Fair value gains/ (losses) 2020 $'000
New South Wales					
Blacktown Inn, Blacktown	5,472	A	14,300	13,900	400
Brown Jug Hotel, Fairfield Heights	5,660	A	15,000	13,960	1,040
Colyton Hotel, Colyton	8,208	A	21,700	20,750	950
Crows Nest Hotel, Crows Nest	8,772	A	23,800	22,800	1,000
Melton Hotel, Auburn	3,114	A	8,400	7,870	530
Narrabeen Sands Hotel, Narrabeen (Mar 09)	8,945	A	16,000	16,130	(130)
New Brighton Hotel, Manly	8,867	A	11,600	11,540	60
Pioneer Tavern, Penrith	5,849	A	15,400	15,050	350
Pritchard's Hotel, Mount Pritchard (Oct 07)	21,130	A	31,300	29,900	1,400
Smithfield Tavern, Smithfield	4,151	A	10,400	10,400	-
Total New South Wales properties	**80,168**		**167,900**	162,300	**5,600**
Queensland					
Albany Creek Tavern, Albany Creek	8,396	A	18,800	18,700	100
Alderley Arms Hotel, Alderley	3,303	A	7,500	7,540	(40)
Anglers Arms Hotel, Southport	4,434	A	11,700	11,210	490
Balaclava Hotel, Cairns	3,304	A	13,000	13,540	(540)
Breakfast Creek Hotel, Breakfast Creek	11,024	A	23,800	23,500	300
Burleigh Heads Hotel, Burleigh Heads (Nov 08)	6,685	A	15,200	15,700	(500)
Camp Hill Hotel, Camp Hill	2,265	A	6,400	6,500	(100)
Chardons Corner Hotel, Annerly	1,416	A	3,800	3,500	300
Dalrymple Hotel, Townsville	3,208	A	13,100	14,200	(1,100)
Edge Hill Tavern, Manoora	2,359	A	6,300	6,230	70
Edinburgh Castle Hotel, Kedron	3,114	A	7,700	7,400	300
Four Mile Creek, Strathpine (Jun 04)	3,672	A	9,600	8,940	660
Hamilton Hotel, Hamilton	6,604	A	17,000	15,990	1,010
Holland Park Hotel, Holland Park	3,774	A	15,400	15,200	200
Kedron Park Hotel, Kedron Park	2,265	A	4,800	4,800	-
Kirwan Tavern, Townsville	4,434	A	12,300	12,920	(620)
Lawnton Tavern, Lawnton	4,434	A	9,800	9,250	550
Miami Tavern, Miami[1]	5,548	A	15,770	14,620	1,150
Mount Gravatt Hotel, Mount Gravatt	3,208	A	7,500	7,110	390
Mount Pleasant Tavern, Mackay	1,794	A	10,900	11,290	(390)
Noosa Reef Hotel, Noosa Heads (Jun 04)	6,874	A	11,500	11,490	10
Nudgee Beach Hotel, Nudgee	3,020	A	7,000	6,900	100
Palm Beach Hotel, Palm Beach	6,886	A	14,900	14,510	390
Pelican Waters, Caloundra (Jun 04)	4,237	A	7,600	7,600	-
Prince of Wales Hotel, Nundah	3,397	A	9,600	9,400	200

1. Includes adjacent lot purchased in April 2018

Notes to the financial statements (continued)

For the Year ended 30 June 2020

2. Investment property

Property	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2020 $'000	Fair value at 30 June 2019 $'000	Fair value gains/ (losses) 2020 $'000
Queensland (continued)					
Racehorse Hotel, Booval	1,794	A	6,900	7,240	(340)
Redland Bay Hotel, Redland Bay	5,189	A	10,500	10,000	500
Royal Exchange Hotel, Toowong	5,755	A	10,100	10,110	(10)
Springwood Hotel, Springwood	9,150	A	21,500	20,260	1,240
Stones Corner Hotel, Stones Corner	5,377	A	11,000	10,800	200
Vale Hotel, Townsville	5,661	A	13,600	15,300	(1,700)
Wilsonton Hotel, Toowoomba	4,529	A	13,400	13,300	100
Total Queensland properties	**147,110**		**367,970**	365,050	**2,920**
South Australia					
Aberfoyle Hub Tavern, Aberfoyle Park	3,303	A	7,200	7,250	(50)
Eureka Tavern, Salisbury	3,303	A	6,350	6,300	50
Exeter Hotel, Exeter	1,888	A	5,000	5,000	-
Finsbury Hotel, Woodville North	1,605	A	4,700	4,700	-
Gepps Cross Hotel, Blair Athol	2,507	A	8,000	8,200	(200)
Hendon Hotel, Royal Park	1,605	A	4,200	4,200	-
Stockade Tavern, Salisbury	4,435	A	6,150	6,250	(100)
Total South Australian properties	**18,646**		**41,600**	41,900	**(300)**
Victoria					
Ashley Hotel, Braybrook	3,963	A	11,300	10,600	700
Bayswater Hotel, Bayswater	9,905	A	21,800	22,400	(600)
Berwick Inn, Berwick (Feb 06)	15,888	A	20,800	20,800	-
Blackburn Hotel, Blackburn	9,433	A	19,200	19,870	(670)
Blue Bell Hotel, Wendouree	1,982	A	5,500	5,500	-
Boundary Hotel, East Bentleigh (Jun 08)	17,943	A	27,500	27,130	370
Burvale Hotel, Nunawading	9,717	A	25,000	25,000	-
Club Hotel, Ferntree Gully	5,095	A	11,500	12,410	(910)
Cramers Hotel, Preston	8,301	A	18,300	19,360	(1,060)
Deer Park Hotel, Deer Park	6,981	A	17,500	18,510	(1,010)
Doncaster Inn, Doncaster	12,169	A	26,600	26,040	560
Ferntree Gully Hotel/Motel, Ferntree Gully	4,718	A	9,400	9,160	240
Gateway Hotel, Corio	3,114	A	9,800	8,700	1,100
Keysborough Hotel, Keysborough	9,622	A	26,500	24,400	2,100
Mac's Melton Hotel, Melton	6,886	A	17,000	16,000	1,000
Meadow Inn Hotel/Motel, Fawkner	7,689	A	20,000	18,400	1,600
Mitcham Hotel, Mitcham	8,584	A	17,800	17,800	-
Morwell Hotel, Morwell	1,511	A	3,100	2,620	480
Olinda Creek Hotel, Lilydale	3,963	A	8,900	9,060	(160)
Pier Hotel, Frankston	8,019	A	16,700	16,700	-
Plough Hotel, Mill Park	8,490	A	19,550	19,250	300
Prince Mark Hotel, Doveton	9,810	A	22,000	22,390	(390)
Royal Exchange, Traralgon	2,171	A	7,000	6,600	400
Sandbelt Club Hotel, Moorabbin	10,849	A	24,350	25,500	(1,150)
Sandown Park Hotel/Motel, Noble Park	6,321	A	16,000	14,510	1,490

2. Investment property

Property	Cost including additions $'000	Valuation type and date	Fair value at 30 June 2020 $'000	Fair value at 30 June 2019 $'000	Fair value gains/ (losses) 2020 $'000
Victoria (continued)					
Sandringham Hotel, Sandringham	4,529	A	13,000	13,500	(500)
Somerville Hotel, Somerville	2,733	A	8,500	7,660	840
Stamford Inn, Rowville	12,733	A	30,100	29,300	800
Sylvania Hotel, Campbellfield	5,377	A	13,350	13,000	350
The Vale Hotel, Mulgrave	5,566	A	16,000	15,600	400
Tudor Inn, Cheltenham	5,519	A	11,900	13,020	(1,120)
Village Green Hotel, Mulgrave	12,546	A	25,550	28,000	(2,450)
Young & Jackson, Melbourne	6,132	A	23,400	23,400	-
Total Victorian properties	**248,259**		**564,900**	562,190	**2,710**
Western Australia					
Queens Tavern, Highgate	4,812	B	10,090	10,090	-
Sail & Anchor Hotel, Fremantle	3,114	B	4,700	4,700	-
The Brass Monkey Hotel, Northbridge (Nov 07)	7,815	B	9,550	9,550	-
Balmoral Hotel, East Victoria Park (Jul 07)	6,645	B	7,450	7,450	-
Total Western Australian properties	**22,386**		**31,790**	31,790	**-**
Total investment properties	**516,569**		**1,174,160**	1,163,230	**10,930**

3.
Capital structure and financing

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

3.1 Borrowings

3.2 Financial risk management

3.3 Equity

3.4 Capital management

3.5 Cash and cash equivalents

3.1 Borrowings

	2020 $'000	2019 $'000
Non-current borrowings		
Capital Indexed Bond (CIB)	156,336	153,331
Australian Medium Term Notes (AMTN)	149,576	374,192
Debt facility	245,500	-
	551,412	**527,523**

CIB	2020 $'000	2019 $'000
Gross value of debt	111,900	111,900
Accumulated indexation	44,842	41,934
Unamortised borrowing costs	(406)	(503)
Net balance	**156,336**	**153,331**

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

AMTN	2020 $'000	2019 $'000
Gross value of debt	150,000	375,000
Unamortised borrowing costs	(424)	(808)
Net balance	**149,576**	**374,192**

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

On 10 June 2014 ALE issued AMTNs with a value of $225 million, maturing on 20 August 2020. These notes were fully redeemed on 27 May 2020.

On 8 March 2017 ALE issued AMTNs with a value of $150 million, maturing on 20 August 2022.

Debt facility	2020 $'000	2019 $'000
Gross value of debt	250,000	-
Unamortised borrowing costs	(4,500)	-
Net balance	**245,500**	**-**

On 24 April 2020 a $250 million debt facility was established. The facility is for a term of two years and can be repaid at any time without penalty.

Recognition and measurement

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

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

Assets pledged as security

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

	2020 $'000	2019 $'000
Current assets		
Cash - CIB borrowings reserves	9,920	8,390
Non-current assets		
Total investment properties	1,174,160	1,163,230
Less: Properties not subject to mortgages		
Pritchard's Hotel, NSW	(31,300)	(29,900)
Miami Hotel, QLD[1]	(1,470)	(1,480)
Properties subject to mortgages	1,141,390	1,131,850
Total assets pledged as security	**1,151,310**	1,140,240

1. Adjoining property purchased in April 2018

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

3. Capital structure and financing

Terms and Repayment Schedule

	Nominal Interest Rate	Issue Rate	Maturity Date[1]	30 June 2020 Face Value $'000	30 June 2020 Carrying Amount $'000	30 June 2019 Face Value $'000	30 June 2019 Carrying Amount $'000
AMTN	5.00%	10-Jun-2014	20-Aug-2020	-	-	225,000	225,000
Debt facility	1.75%[2]	24-Apr-2020	24-Apr-2022	250,000	250,000	-	-
AMTN	4.00%	08-Mar-2017	20-Aug-2022	150,000	150,000	150,000	150,000
CIB	3.40%[3]	20-May-2006	20-Nov-2023	111,900	156,742	111,900	153,834
				511,900	556,742	486,900	528,834
Unamortised borrowing costs					(5,330)		(1,311)
Total borrowings					**551,412**		**527,523**

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing.
2. Interest is payable at the nominal floating rate +margin. Hedging applies from August 2020. Nominal rate increases by 0.75% every six months commencing August 2020.
3. Interest is payable on the indexed balance of the CIB at a fixed rate.

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

	CIB Borrowings	AMTN Borrowings	Debt Facility Borrowings	Total Borrowings
Balance as at 1 July 2019	153,331	374,192	-	527,523
Changes from financing cash flows				
New borrowings			270,000	270,000
Repayment of borrowings	-	(225,000)	(20,000)	(245,000)
Payment of borrowing costs			(4,926)	(4,926)
Total changes from financing cash flows	-	(225,000)	245,074	20,074
Other changes				
Amortisation of capitalised borrowing costs	97	384	426	907
Accumulated indexation	2,908	-	-	2,908
Total other changes	3,005	384	426	3,815
Balance as at 30 June 2020	156,336	149,576	245,500	551,412

Fair value

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

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

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

	Carrying Amount $'000	Fair Value $'000
30 June 2020		
CIB	156,336	167,384
AMTN	149,576	153,793
Debt facility	245,500	250,000
	551,412	**571,177**
30 June 2019		
CIB	153,331	168,488
AMTN	374,192	385,035
	527,523	**553,523**

Both borrowings are classed as Level 3.

Valuation techniques used to derive level 2 fair values

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

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

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

3.2 Financial Risk Management

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

- credit risk
- market risk
- liquidity risk

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

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

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

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

3.2.1 Credit risk

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

Cash

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

Trade and other receivables

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

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

3.2.2 Market risk

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

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

Interest rate risk

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

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

3. Capital structure and financing

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

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

	2020 $'000	2019 $'000
Derivative financial assets	-	691
Derivative financial liabilities	(52,030)	(35,415)
Borrowings		
CIB	(153,793)	(153,331)
AMTN	(149,576)	(374,192)
Debt facility	(245,500)	-
	(600,899)	(562,247)

1. The Debt facility debt is floating rate. Its market value is therefore not affected by changes in interest rates.

Sensitivity analysis
A change of 100 basis points in the prevailing nominal market interest rates at the reporting date would have increased/(decreased) Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the CPI, remain constant. The analysis was performed on the same basis for 2019.

	100 bps increase $'000	100 bps decrease $'000
30 June 2020		
Interest rate hedges	18,442	(19,698)
CIB	-	-
AMTN	-	-
Debt facility	-	-
	18,442	**(19,698)**
30 June 2019		
Interest rate hedges	16,973	(18,495)
CIB	-	-
AMTN	-	-
	16,973	**(18,495)**

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

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

	2020 $'000	2019 $'000
Financial instruments		
Investment properties	1,174,160	1,163,230
CIB	(156,336)	(153,331)
	1,017,824	**1,009,899**

Sensitivity analysis for variable rate instruments
A change of 100 bps in CPI at the reporting date would increase rent and hence property value would have increased Statement of Comprehensive Income and Equity by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates and capitalisation rates applicable to investment properties, remain constant. The analysis was performed on the same basis for 2019.

	100 bps increase $'000	100 bps decrease $'000
30 June 2020		
Investment properties	11,560	-
CIB	-	-
	11,560	**-**
30 June 2019		
Investment properties	11,212	-
CIB	-	-
	11,212	**-**

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

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

Property valuation risk

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

3.2.3 Liquidity risk

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

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

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

30 June 2020	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than five years $'000
Non-derivative financial liabilities						
Trade and other payables	(6,047)	(6,047)	-	-	-	-
CIB	(193,040)	(2,606)	(2,623)	(5,328)	(182,483)	-
AMTN	(165,000)	(3,000)	(3,000)	(6,000)	(153,000)	-
Debt facility	(264,240)	(1,974)	(3,391)	(258,875)	-	-
Derivative financial instruments						
Interest rate hedges	(56,562)	(1,705)	(3,376)	(7,089)	(38,113)	(6,279)
	(684,889)	**(15,332)**	**(12,390)**	**(277,292)**	**(373,596)**	**(6,279)**
30 June 2019						
Non-derivative financial liabilities						
Trade and other payables	(8,634)	(8,634)	-	-	-	-
CIB	(194,801)	(2,584)	(2,606)	(5,264)	(184,347)	-
AMTN	(412,875)	(8,625)	(8,625)	(236,625)	(159,000)	-
Derivative financial instruments						
Interest rate hedges	(38,174)	333	365	(3,812)	(21,456)	(13,604)
	(654,484)	**(19,510)**	**(10,866)**	**(245,701)**	**(364,803)**	**(13,604)**

Interest rates used to determine contractual cash flows

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

3. Capital structure and financing

Interest rate hedges

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

	2020 $'000	2019 $'000
Current assets	-	691
Non current assets	-	-
Total assets	-	691
Current liabilities	-	-
Non current liabilities	(52,030)	(35,415)
Total liabilities	(52,030)	(35,415)
Net assets/(liabilities)	(52,030)	(34,724)

Current year fair value adjustments to derivatives

	2020 $'000	2019 $'000
Fair value increments/ (decrements) to interest rate hedge derivatives	(17,306)	(25,155)

Recognition and measurement

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

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

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

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

At 30 June 2020, the notional principal amounts and periods of expiry of the interest rate hedge contracts are as follows:

	Borrowing Interest Rate Hedges		Deposit Interest Rate Hedges		Net Hedge Position	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Less than 1 year	-	-	-	(30,000)	-	(30,000)
1 - 2 years	-	-	-	-	-	-
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	-	-	-	-	-	-
Greater than 5 years	506,000	506,000	-	-	506,000	506,000

ALE has a series of forward start borrowing hedges in place. A small deposit hedge expired during FY20.

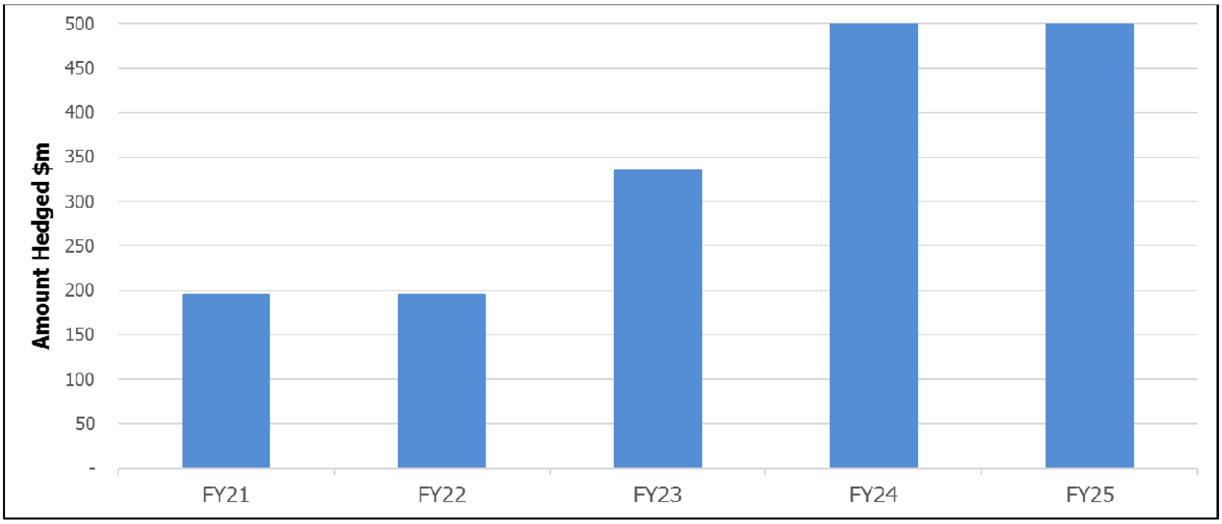
The current forward start borrowing hedge commences in August 2020 and increases on maturity of both the fixed rate August 2022 AMTN and the November 2023 CIB borrowings, extending out to November 2025.

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

The average term of the interest rate hedges and fixed rate securities in relation to the total borrowings of ALE is 5.4 years at 30 June 2020.

3. Capital structure and financing

The following chart shows the hedge balances to November 2025.



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

Financial covenants

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

Interest Cover Ratio covenants (ICR)

Borrowing	ICR covenant	Current Ratio	Consequence
CIB	ALH EBITDAR to be greater than 7.5 times CIB interest expense	>50x	Stapled security distributions lockup
AMTN	ALE DPT EBITDA to be greater than or equal to 1.5 times ALE DPT interest expense	2.62x	Note holders may call for notes to be redeemed
Debt facility	As per AMTN	2.62x	Lender may call for loan to be repaid
Hedging	As per AMTN	2.62x	Hedge counterparty may call for hedging to be closed out

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

Rating covenant

Borrowing	Covenant	Current Rating	Consequence
AMTN	AMTN issue rating to be maintained at investment grade (i.e. at least Baa3/BBB-)	Baa2	Published rating of Ba1/BB+ or lower results in a step up margin of 1.25% to be added to the interest rate payable
Debt facility	ALE DPT rating to be maintained at investment grade (i.e. at least Baa3/BBB-)	Baa2	Published rating of Baa3/BBB- or lower results in a step up margin of 0.25% to be added to the interest rate payable. Rating of Ba1/BB+ or lower results in a further 1% added to the interest rate payable

3. Capital structure and financing

Loan to Value Ratio covenants (LVR)

Borrowing	LVR Covenant	Current Ratio	Consequence
CIB	The issuance of new CIB is not permitted if the indexed value of the resultant total CIB exceeds 25% of the value of properties held as security	13.7%	Note holders may call for notes to be redeemed
CIB	Outstanding value of CIB not to exceed 66.6% of the value of properties held as security	13.7%	Note holders may call for notes to be redeemed
AMTN	The new issuance of Net Priority Debt is not permitted to exceed 20% of Net Total Assets	11.7%	Note holders may call for notes to be redeemed
AMTN	The new issuance not to result in Net Finance Debt exceeding 60% of Net Total Assets	41.3%	Stapled Security distribution lockup
AMTN	The new issuance not to result in Net Finance Debt exceeding 65% of Net Total Assets	41.3%	Note holders may call for notes to be redeemed
Debt facility	As per AMTN above	-	Lender may call for loan to be repaid
Hedging	As per AMTN above	-	Hedge counterparty may call for hedging to be closed out

Definitions

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

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

ALE currently considers that significant headroom exists with respect of all the above covenants. At all times during the years ended 30 June 2020 and 30 June 2019, ALE and its subsidiaries were in compliance with all the above covenants.

3.3 Equity

	2020 $'000	2019 $'000
Balance at the beginning of the period	258,118	258,118
No movement	-	-
	258,118	258,118

Movements in the number of fully paid stapled securities during the year	**2020 Number**	**2019 Number**
Opening balance	195,769,080	195,769,080
No movement	-	-
Closing balance	195,769,080	195,769,080

Measurement and recognition

Ordinary units and ordinary shares are classified as contributed equity.

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

Stapled securities

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

No income voting units (NIVUS)

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

3.4 Capital management

Capital management

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

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

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

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

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

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

The total gearing ratios (total liabilities as a percentage of total assets) at 30 June 2020 and 30 June 2019 were 51.9% and 49.4% respectively.

The covenant gearing ratios (gross borrowings less cash as a percentage of total assets less cash, derivatives and deferred tax assets of ALE DPT) at 30 June 2020 and 30 June 2019 were 41.3% and 41.5% respectively.

3.5 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	4,575	14,648
Deposits at call	25,073	10,073
Cash reserve	9,920	8,390
	39,568	33,111

Recognition and measurement

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

Cash obligations

An amount of $9.92 million (2019: $8.39 million) is required to be held as a cash reserve as part of the terms of the CIB issue in order to provide liquidity for CIB obligations to scheduled maturity of 20 November 2023.

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

During the year ended 30 June 2020 all cash assets were placed on deposit with various banks. As at 30 June 2020, the weighted average interest rate on all cash assets was 0.66% (2019:1.64%).

4. Business performance

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

4.1 Revenue and income

	2020 $'000	2019 $'000
Revenue		
Rent from investment properties	61,408	60,219
Interest from cash deposits	301	782
Total revenue	**61,709**	61,001
Other income		
Fair value increments to investment properties	10,930	26,639
Fair value increments to derivatives	-	-
Other income	-	-
Total other income	**10,930**	26,639
Total revenue and other income	**72,639**	87,640

Recognition and measurement

Revenue

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

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

Rental income

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

Interest income

As at 30 June 2020 the weighted average interest rate earned on cash was 0.66% (2019: 1.64%)

4.2 Other expenses

	2020 $'000	2019 $'000
Audit, accounting, tax and professional fees	222	214
Annual reports	55	63
Depreciation expense	117	27
Insurance	346	241
Legal fees	368	230
Occupancy costs	15	129
Corporate expenses	1,047	3,683
Property revaluations, and condition and compliance	908	420
Direct property expenses	30	52
Registry fees	112	100
Staff training	11	18
Travel and accommodation	18	25
Trustee and custodian fees	181	178
Total other expenses	**3,430**	5,380
Total other expenses	3,430	5,380
Salaries and related costs	2,718	2,335
Less: Share based payments expense	(204)	(117)
Total cash other expenses	5,944	7,598

Recognition and measurement

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

4. Business performance

4.3 Finance costs

	2020 $'000	2019 $'000
Finance costs - cash		
Capital Indexed Bonds (CIB)	5,285	5,206
Australian Medium Term Notes (AMTN)	16,174	17,250
Interest rate derivative payments/(receipts)	(656)	(475)
Bank debt	943	-
Other finance expenses	295	222
	22,041	22,203
Finance costs - non-cash		
Accumulating indexation - CIB	2,908	2,591
Amortisation - CIB	97	88
Amortisation - AMTN	304	259
Amortisation - AMTN discount	80	76
Amortisation - Bank debt	426	-
Other finance expenses	-	-
	3,815	**3,014**
Finance	**25,856**	25,217

Recognition and measurement
Interest expense is recognised on an accruals basis.

Borrowing costs are recognised using the effective interest rate method.

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

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

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

4.4 Taxation

Reconciliation of income tax expense

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

	2020 $'000	2019 $'000
Profit before income tax	20,016	26,646
Profit attributable to entities not subject to tax	20,005	26,388
Profit/(Loss) before income tax expense subject to tax	11	258
Tax at the Australian tax rate	3	77
Share based payments	(14)	(63)
Other	2	-
Under/(over) provision in prior years	2	12
Income tax	(7)	26
Current tax expense/(benefit)	-	15
Deferred tax expense/ (benefit)	(7)	11
Income tax expense/(benefit)	**(7)**	**26**

Recognition and measurement

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

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

4.4 Taxation (continued)

Deferred tax

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

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

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

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

Offsetting deferred tax balances

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

4.5 Remuneration of auditors

	2020 $	2019 $
Audit services		
KPMG Australian firm:		
Audit and review of the financial reports		
- in relation to current year	175,785	194,065
- in relation to prior year	-	8,000
Total remuneration for audit services	175,785	202,065
KPMG Australian firm:		
Other services	-	20,000
Total remuneration for all services	175,785	222,065

4.6 Distributable income

Reconciliation of profit after tax to amounts available for distribution:

	2020 $'000	2019 $'000
Profit after income tax	**20,023**	26,620
Plus /(less)		
Fair value adjustments to investment properties	(10,930)	(26,639)
Fair value adjustments to derivatives - net	17,306	25,155
Employee share based payments	204	117
Finance costs - non cash	3,815	3,014
Income tax expense	(7)	26
Adjustments for non-cash items	10,388	1,673
Total available for distribution	30,411	28,293
Distribution paid or provided for	40,916	40,916
Over distributed	**(10,505)**	(12,623)
Distribution funded as follows		
Current year distributable profits	30,411	28,293
Capital and surplus cash	10,505	12,623
	40,916	**40,916**

4. Business performance

4.7 Earnings per security

Basic earnings per stapled security

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

	2020	2019
Profit attributable to members of the Group ($000's)	20,023	26,620
Weighted average number of stapled securities	195,769,080	195,769,080
Basic earnings per security (cents)	10.23	13.60

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

	2020	2019
Distributable profit attributable to members of the Group ($000's)	30,411	28,293
Number of stapled securities at the end of the year	195,769,080	195,769,080
Distributable profit per security (cents)	15.53	14.45

Diluted earnings per stapled security

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

	2020	2019
Profit attributable to members of the Group ($000's)	20,023	26,620
Weighted average number of stapled securities	195,911,039	195,929,320
Diluted earnings per security (cents)	10.22	13.59

Distributed profit per security

	2020	2019
Distributable income per stapled security	15.53	14.45
Distribution paid per stapled security	20.90	20.90
Under/(over) distributed for the year	(5.37)	(6.45)
Distribution funded as follows		
Current year distributable profits	15.53	14.45
Capital and surplus cash	5.37	6.45
	20.90	**20.90**

Distributable profit per security

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

5. Employee benefits

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

5.1 Employee benefits

	2020 $'000	2019 $'000
Employee benefits provision:		
Current	292	294

Recognition and measurement

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

5.2 Key management personnel compensation

	2020 $	2019 $
Short term employee benefits	1,899,277	1,777,220
Post employment benefits	109,766	107,799
Other long term benefits	28,429	26,149
Share based payments	203,538	117,500
Termination benefits	-	-
	2,241,010	**2,028,668**

Recognition and measurement

Wages and salaries, annual leave and sick leave

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

Bonus and incentive plans

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

Long service leave

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

Retirement benefit obligations

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

5.3 Employee share plans

Executive Stapled Security Scheme (ESSS)

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

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

6. Other

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

6.1 Changes to accounting policies

The Group has initially applied AASB 16 *Leases* from 1 July 2019. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

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

The Company applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly the comparative information for June 2019 is not restated. The details of the changes in accounting policies are disclosed below. Additionally the disclosure requirements in AASB 16 have not been applied to comparative information.

Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee the Company has one lease, for office premises, that was previously classified as an operating lease under AASB 117. Under AASB 16 that lease has been recognised as a right-of-use asset and lease liability. The Company does not act as a Lessor.

On transition to AASB 16, the Company recognised right-of use asset and liabilities, recognising the difference in retained earnings. When measuring the lease liabilities for the lease that had been classified as an operating lease, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at the carrying value as if AASB 16 had been applied since the commencement date discounted using the lessee's incremental borrowing rate at the date of initial application. The incremental borrowing rate applied was 2.10%.

The impact of the transition is summarised below:

	1 July 2019 000's
Right of use assets	136
Lease liabilities	(163)
Retained earnings	27

Operating lease commitments at 30 June 2019 as disclosed under AASB 16 in the Company's financial statements	171
Discounted using the incremental borrowing rate at 1 July 2019	168
Recognised exemption for leases of low-value assets	(5)
	163

6.2 New accounting standards

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements and does not expect them to have a significant impact on the consolidated financial statements.

6.3 Segment reporting

Business segment

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

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

All of ALE Property Group's pub properties are leased to members of the ALH Group, and accordingly 100% of the rental income is received from ALH (2019: 100%). Non pub rental income comprises less than 1% of total revenue.

6. Other

6.4 Events occurring after balance date

The COVID-19 pandemic has created unprecedented economic uncertainty and impacted market activity in many sectors including the pub sector where trading restrictions have been put in place. To date, ALE continues to receive rental income in accordance with the agreed lease arrangements with ALH.

Prior to issuing this report, management consulted with the independent valuers who undertook the valuations as at 30 June 2020 as to whether any events subsequent to balance date have changed their view of the 30 June 2020 valuations. The independent valuers and management are of the opinion that appropriate considerations have been made at 30 June and there has been no changes to the valuations subsequent to balance date.

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

6.5 Contingent liabilities and contingent assets

Bank guarantee

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

6.6 Investments in controlled entities

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

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

6.7 Related party transactions

Parent entity and subsidiaries

Details are set out in Note 6.6 and 6.8.

Key management personnel

Key management personnel and their compensation are set out in the Remuneration Report on Page 19.

Transactions with related parties

For the year ended 30 June 2020, the Company received $4,477,922 of expense reimbursement from the Trust (2019: $4,009,810), and the Finance Company charged the Sub Trust $8,307,406 interest (2019: $7,904,515).

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

Terms and conditions

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

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

6.8 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2020 the parent entity of ALE was Australian Leisure and Entertainment Property Trust.

	2020 $'000	**2019 $'000**
Profit for the year	20,695	28,293
Financial position of the parent entity		
Current assets		
Cash	21	21
Non current assets		
Investments in controlled entities	275,656	275,656
Total assets	**275,677**	**275,677**
Current		
Payables	59,533	39,312
Provisions	20,458	20,458
Total liabilities	79,991	59,770
Net assets	**195,686**	**215,907**
Issued units	252,431	252,431
Retained earnings	(56,745)	(36,524)
Total equity	**195,686**	**215,907**

DIRECTORS' DECLARATION

For the Year ended 30 June 2020

In the opinion of the directors of the Australian Leisure and Entertainment Property Management Limited (the Company) as responsible entity of the Australian Leisure and Entertainment Property Trust:

(a) the financial statements and notes that are set out on pages 24 to 51 and the Remuneration report contained in Section 9 of the Directors' report, are in accordance with the *Corporations Act 2001*, including

  (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) The directors have been given the declarations required by *Section 295A of the Corporations Act 2001* from the Managing Director, Finance Manager, and Company Secretary as required for the financial year ended 30 June 2020.

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

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

Robert Mactier
Chairman

Andrew Wilkinson
Managing Director

Dated this 5th day of August 2020

Independent Auditor's Report

To the stapled security holders of ALE Property Group

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- Consolidated Statement of financial position as at 30 June 2020;
- Consolidated Statement of comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

Valuation of Investment Properties ($1,174.16m)	
Refer to Note 2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment properties is a key audit matter due to the significance of the balance and judgment required by us in assessing the key valuation assumptions, methodologies and the final adopted values. The Stapled Group's investment properties comprise direct ownership of 86 freehold hotels. All 86 properties have long-term lease agreements in place with Australian Leisure and Hospitality Group (ALH). In the prior year, the first major rent review commenced on 79 of ALE's 86 investment properties. At the date of this report, 36 rent notices have been accepted and there remains to be 43 rent notices subject to independent determination. There are significant judgments in assessing the fair value of properties and evaluating available evidence. This was further heightened with the existence of the COVID-19 pandemic, with decreasing market transactions which are ordinarily strong sources of evidence regarding fair value. Notwithstanding the COVID-19 pandemic, ALH continues to meet all rental obligations despite reduced operations since March 2020. Investment properties are subject to external independent valuation once every three years on a rotational basis. At 30 June 2020, the total portfolio (except for 4 WA properties) were independently valued. We focused on the important features of the Stapled Group's investment property valuation	Our procedures included: • Understanding the Stapled Group's process regarding the valuation of investment property, including how potential COVID-19 impacts have been considered; • Assessing the methodologies used in the valuations of investment property for consistency with accounting standards and Stapled Group policies; • Assessing the scope, competence and objectivity of external experts engaged by the Stapled Group and internal valuers; • Meeting the valuers (Savills for NSW and OLD and CBRE for VIC and SA) to discuss and challenge the valuation methodology and the assumptions; For a sample of externally valued properties: • Challenging key assumptions including: capitalisation rates, discounts rates, terminal capitalisation rates and future rental income (including anticipated rental for rent disputed properties and that ALH will continue to meet all rental obligations despite COVID-19) by considering publicly available sales evidence, historical data and the property specific attributes including location, asset condition and land area; • Challenging the final property value by comparing the cap rate and DCF valuations,

process. In order of application, these included: • Categorisation of investment properties: used to identify unique attributes of the property such as location, asset condition, trading performance, land areas, iconic profile of the building and whether the 2019 rent review has been accepted or remain in dispute. We assessed the use of these unique attributes for the implications on property values. • Key assumptions and methodology adopted in the independent valuation methodologies: being capitalisation rates, discount rates and future rental income inputs to the capitalisation rates (cap rate) and discounted cash flow (DCF) methodology. A key feature of the long-term leases that impact DCF values are the rental assessments in 2019 (limited to properties whose rental is under determination) and 2028 upon reversion to market based levels of rent. • Judgements in assessing the results: the Stapled Group adopts a final property value based on their evaluation of the results of the independent valuers work, taking into consideration property specific attributes. We spent significant effort in assessing the basis of these judgements, their consistent application and available market comparators. • COVID-19 considerations: we also paid particular attention to knowledge and sources of information available regarding market conditions specific to year end, versus those uncertainties or market knowledge at different dates, given how the impacts of business disruption and resultant government measures from COVID-19 are changing rapidly the dynamic of markets.	and reconciling differences to property specific attributes. These include location, asset condition, trading performance, land area, proximity to the next market rent reassessments and whether the rent notice is undergoing determination; • For the internally valued WA properties, using our knowledge of the business and the industry we assessed the overall valuation adopted remains appropriate with regard to the property specific attributes; • Consulted with KPMG real estate valuation specialists to gain an understanding of prevailing market conditions, including existence of market transactions, and application of the Stapled Group's valuation methodologies; and • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtaining from our testing, against accounting standard requirements. This was considered in light of changes and uncertainties of COVID-19 that existed at balance date and up until issuance of our audit report.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

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

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

Opinion

In our opinion, the Remuneration Report of Australian Leisure and Entertainment Property Management Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in section 9 of the Directors' report for the year ended 30 June 2020.

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

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett

Partner

Sydney

5 August 2020

Securityholders

The securityholder information as set out below was applicable as at 13 July 2020.

A. DISTRIBUTION OF EQUITY SECURITIES

Range	Number of Holders	Number of Securities	% of Issued Capital
1 - 1,000	1,072	375,199	0.19
1,001 - 5,000	1,628	4,660,743	2.38
5,001 - 10,000	913	6,960,989	3.56
10,001 - 100,000	1,408	36,490,249	18.64
100,001+	102	147,281,900	75.22
Total	5,123	195,769,080	100.00

The stapled securities are listed on the ASX and each stapled security comprises one share in Australian Leisure and Entertainment Property Management Limited (Company) and one unit in Australian Leisure and Entertainment Property Trust (Trust). The number of securityholders holding less than a marketable parcel of stapled securities is 368.

B. TOP 20 EQUITY SECURITYHOLDERS

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

Rank	Name	Number of Securities	% of Issued Capital
1	UBS Nominees Pty Ltd	22,823,282	11.66
2	Citicorp Nominees Pty Limited	21,010,964	10.73
3	Endeavour Group Limited	17,076,936	8.72
4	HSBC Custody Nominees (Australia) Limited	13,655,639	6.98
5	Brispot Nominees Pty Ltd (House Head Nominee A/C)	13,332,321	6.81
6	Manderrah Pty Ltd (GJJ Family A/C)	6,600,000	3.37
7	HSBC Custody Nominees (Australia) Limited - A/C 2	6,142,639	3.14
8	National Nominees Limited	5,419,288	2.77
9	HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,187,027	2.65
10	HSBC Custody Nominees (Australia) Limited-GSI EDA	4,093,988	2.09
11	J P Morgan Nominees Australia Pty Limited	4,086,083	2.09
12	Netwealth Investments Limited (Wrap Services A/C)	2,376,174	1.21
13	CS Third Nominees Pty Limited (HSBC Custody Nomonies Australia Ltd 13 A/C)	1,776,468	0.91
14	Woodross Nominees Pty Ltd	1,499,999	0.77
15	Mr Alastair Charles Griffin	1,397,876	0.71
16	Mr Edward Furnival Griffin	1,397,875	0.71
17	Mr David Stewart Field	812,000	0.41
18	Bt Portfolio Services Limited (Caergwrle Investments P/L A/C)	745,787	0.38
19	Loto Jade Pty Ltd (Loto Jade A/C)	710,934	0.36
20	Mr Nicholas Anthony Dyer	675,000	0.34
Totals: Top 20 Holders of Stapled Securities		130,820,280	66.82
Totals: Remaining Holders Balance		64,948,800	33.18

C. SUBSTANTIAL HOLDERS

Substantial holders of ALE (as per notices received as at 13 July 2020) are set out below:

Stapled S Name	Number of Securities	% of Issued Capital
Caledonia (Private) Investments Pty Ltd	77,595,546	39.63
Endeavour Group Limited	17,076,936	8.72
UBS Group AG	13,748,935	7.02

D. VOTING RIGHTS

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

(a) Stapled securities

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

(b) NIVUS

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

E. ASX ANNOUNCEMENTS

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

2020	
05 Aug	Full Year Results, Annual Review / Report and Property Compendium released
05 Aug	Property valuations increased by 0.9%
23 Jun	Half Year distribution of 10.45 cents declared
23 Jun	Full Year distribution of 20.90 cents announced
14 May	CEO Succession
27 Apr	Debt Capital Management Update
27 Apr	New Debt Facility
03 Apr	Caledonia increases substantial holding to 39.63%
05 Mar	1st half distribution payment
24 Feb	UBS Group AG increases substantial holding to 7.02%
17 Feb	Taxation Components of Distribution
05 Feb	Half Year results released
04 Feb	Property valuations as at 31 December 2019

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

27 Oct	Annual General Meeting
07 Sep	2nd half distribution payment

2019	
13 Dec	Half Year distribution of 10.45 cents declared
09 Dec	Rent review Timetable update
22 Nov	Caledonia increases substantial holding to 38.35%
30 Oct	Becoming a substantial holder - UBS Group AG
29 Oct	Annual General Meeting
15 Oct	Ceasing to be a Substantial holder - UBS Group AG
13 Sep	Bernard Stanton appointed as a Director
05 Sep	2nd half distribution payment
03 Sep	Taxation Components of Distribution
07 Aug	Full Year Results, Annual Review / Report and Property Compendium released
07 Aug	CEO Succession Planning
13 Jul	Becoming a substantial holder - UBS Group AG
12 Jul	Property valuations increased by 2.4%
03 Jul	Announcement by Woolworths Relating to ALH
18 Jun	Half Year distribution of 10.45 cents declared
18 Jun	Full Year distribution of 20.90 cents announced
05 Mar	1st half distribution payment
21 Feb	Taxation Components of Distribution
13 Feb	Half Year results released
13 Feb	Property valuations as at 31 December 2018

INVESTOR INFORMATION

For the Year ended 30 June 2020

Stock Exchange Listing

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

Distribution Reinvestment Plan

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

Distributions

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

Electronic Payment of Distributions

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

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

Annual Tax Statement

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

Publications

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

Website

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

Securityholder Enquiries

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

Registered Office

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

Company Secretary

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

Auditors

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

Lawyers

Allens Linklaters
Level 28, Deutsche Bank Place
Sydney NSW 2000

Custodian (of Australian Leisure and Entertainment Property Trust)

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

Trustee (of ALE Direct Property Trust)

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

Registry

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

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COMPANY SECRETARY
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ALE PROPERTY GROUP

For more information visit our
2020 Annual Review website
aleproperty2020.reportonline.com.au

Review our properties online
aleproperties.com.au

Visit us online today
alegroup.com.au