ALE PROPERTY GROUP

Appendix 4D

Half-year Report
Six Months Ended 31 December 2013

Name of entity

ALE PROPERTY GROUP

ABN or equivalent company reference

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

Half yearly (tick)	Preliminary final (tick)	Half-year ended ('current period'):
✓		**31 December 2013** (previous corresponding period 31 December 2012)

Results for announcement to the market

	6 months to 31 December 2013 **A$'000**	6 months to 31 December 2012 A$'000	Variance %
Rental revenue	**26,932**	26,391	2.05%
Total income	**45,149**	41,359	9.16%
Profit / (Loss) from ordinary activities after income tax, attributable to security holders	**27,730**	(3,726)	-
Profit before income tax, fair value adjustments, amortisation of prepaid costs and other non-cash items	**16,505**	15,832	4.25%
Total available for distribution	**16,505**	15,832	4.25%
Distribution payable for the half-year	**16,048**	15,486	3.63%
Available and under distributed at the half-year	**457**	346	-

Dividends (distributions)

	6 months to 31 December 2013 **Cents**	6 months to 31 December 2012 Cents	Variance %
December half-year interim distribution	**8.20**	8.00	2.50%
Franked amount per share	**0.00**	0.00	-
Record date for distribution entitlement	31 December 2013		
Interim distribution will be paid	5 March 2014		
The distribution is estimated to be 93.8% tax deferred			

ALE PROPERTY GROUP

Net tangible assets per security

	6 months to 31 December 2013	6 months to 31 December 2012	Variance %
Net tangible assets per security	**$1.96**	$1.88	4.26%

Explanation of results

Brief explanation of results

- Rental Revenue increased by 2.05% due to:
  - Weighted average portfolio gross rent (exclusive of Queensland land tax) increases of 2.25% in November 2013 and 1.82% in November 2012;
- Total income has increased by 9.16% due to:
  - Increase in property portfolio value by $17.19 million flowing from November 2013 annual rent review increase of 2.25%. This was $4.11 million higher than the December 2012 increase.
  - Increase in rental income noted above; offset by
    - Lower interest received due to lower cash balances during six months to December 2013 cash compared to the previous period and lower interest rates on cash balances during the period. All surplus funds have been placed on term deposit throughout the six month period;
- Profit and Loss after income tax for the period increased by $31.4 million as a result of lower fair value adjustment to derivatives in the current period, lower finance costs due to lower base interest rates arising from hedging restructure in FY13 and higher rental income.
- Total available for distribution is higher due to the hedge restructure in FY13.
- The distribution of 8.20 cents per security represents a distribution of 97% of distributable income and is in line with earlier guidance provided by the Board.

Reconciliation of profit after tax to total available for distribution

	A$'000
Loss after income tax for half-year	**$27,730**
Plus / (Less)	
Fair value (increment) to investment properties	(17,190)
Fair value decrement to derivatives	2,946
Employee security based payments	96
Finance costs – non cash	2,399
Income tax expense / (benefit)	524
Total available for distribution	**16,505**
Distribution payable	16,048
Available and under distributed at the half-year	**457**

Audit Status

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

A copy of the ALE Property Group 31 December 2013 Half-Year Financial Report with KPMG review opinion is attached.

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities

ABN 92 648 441 429

Half-Year Report 31 December 2013

ALE Property Group

Comprising Australian Leisure and Entertainment Property Trust and its controlled entities
Report For the half year ended 31 December 2013

ABN 92 648 441 429

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FINANCIAL STATEMENTS

31 December 2013

ALE Property Group (ASX: LEP)

ALE Property Group is Australia's largest listed freehold owner of pubs. Established in November 2003. ALE owns a property portfolio of 87 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of Australian Leisure and Hospitality Group Limited (ALH) for a remaining initial lease term of 15 years.

WWW.ALEGROUP.COM.AU

DIRECTORS' REPORT

For the Half-Year ended 31 December 2013

DIRECTORS' REPORT

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

The registered office and principal place of business of ALE is:

Level 10
6 O'Connell Street
Sydney NSW 2000

The directors of the Company present their report, together with the consolidated half-year financial report of ALE, for the half-year ended 31 December 2013.

1. DIRECTORS

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

Name	Type	Appointed
P H Warne (Chairman)	Independent non-executive	8 September 2003
J P Henderson	Independent non-executive	19 August 2003
H I Wright	Independent non-executive	8 September 2003
P J Downes	Independent non-executive	26 November 2013
A F O Wilkinson (Managing Director)	Executive	16 November 2004
J T McNally	Executive	26 June 2003

2. PRINCIPAL ACTIVITIES

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

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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

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

5. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

Disclosed in the financial statements are current borrowings for the ALE Notes 2 as they mature in August 2014. Management are currently in the process of assessing a number of options in order the refinance this debt on or prior to maturity. In the unlikely event that refinancing of the debt is not in place by the maturity date, the Directors have the option of extending the term by another one or two years.

In accordance with the leases of its investment properties, ALE receives increases in rental income in line with increases in the consumer price index. The directors are not aware of any other future developments likely to significantly affect the operations or results of ALE.

6. DISTRIBUTIONS AND DIVIDENDS

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

	31 December 2013 cents	31 December 2012 cents	31 December 2013 $'000	31 December 2012 $'000
Interim Trust income distribution for the year ending 30 June 2013 to be paid on 5 March 2014	8.20	8.00	16,048	15,486
Interim Trust distribution	**8.20**	**8.00**	**16,048**	**15,486**

No provisions for or payments of Company dividends have been made during the half-year (2012: nil).

7. OPERATIONAL AND FINANCIAL REVIEW

ALE Property Group is Australia's largest listed freehold owner of pub properties. Established in November 2003, ALE owns a property portfolio of 87 pubs across the five mainland states of Australia. All the pubs in the portfolio are leased to members of the Australian Leisure and Hospitality Group Pty Limited (ALH) for a remaining initial lease term of 14.8 years plus options for ALH to extend.

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

- Leases commenced in November 2003 with an initial term of 25 years and four options of 10 years for ALH to extend (for 81 of 87 properties).
- The leases are triple net which require ALH to take responsibility for rates, insurance and essentially all structural repairs and maintenance, as well as land tax in all states except Queensland.
- Annual CPI rent increases are not subject to any cap and rents do not decline with negative CPI.
- There is a market rent review in November 2018 that is capped and collared within 10% of the 2017 rent.
- There is a full open market rent review (no cap and collar) in November 2028 at which time ALH has four options of 10 years to extend the leases.

Current period's performance

ALE produced a profit after tax of $27.73 million for the period ended 31 December 2013 compared to a loss of $3.73 million for the period ended 31 December 2012. The increase is primarily due to a reduction in the fair value decrement to derivatives. Other factors include:

- Rental income increased by 2.05% as a result of the full period impact of November 2012 rent review and part period impact of the November 2013 rent review;
- Interest income was lower on the back of decreasing interest rates and lower cash balances;
- Finance costs were lower following the termination of the CPI Hedge in December 2012, lower CPI which reduced the CIB and CPI hedge indexation costs and increased interest rate swap receipts following a restructure of hedging arrangements during the prior year; and
- Management costs increased slightly due to costs associated with preliminary work in relation to refinancing of maturing debts in 2014 and 2015 . ALE's management expense ratio continues to be one of the lowest in the A-REIT sector.

ALE pays distributions subject to the minimum requirement to distribute taxable income of the trust under the Trust Deed. The distribution for the half-year ended 31 December 2013 represents 97.2% of ALE's forecast free cash flow for the period. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs.

During the current period ALE produced a distributable profit of $16.51 million compared to $15.83 million in the previous financial period. The table below separates the cash components of profit that are available for distribution from the non-cash components of ALE's profit. The directors believe this will assist stapled securityholders in understanding the results of operations and distributions of ALE. Distributable Profit was impacted by the same cash items that effected Operating Profit, namely increased rent and reduced finance costs.

DIRECTORS' REPORT

	31 December 2013 $'000	31 December 2012 $'000
Profit / (Loss) after income tax for the half-year	**27,730**	**(3,726)**
Plus / (Less): Adjustments for non-cash items		
Fair value (increments)/decrements to investment properties	(17,190)	(13,080)
Fair value (increments)/decrements to derivatives	2,946	29,717
Employee security based payments	96	75
Finance costs - non-cash	2,399	3,168
Income tax expense/(benefit)	524	(322)
Total adjustments for non-cash items	**(11,225)**	**19,558**
Total available for distribution	**16,505**	**15,832**
Distribution paid or provided for	16,048	15,486
Available and undistributed/(over distributed) for the half-year	**457**	**346**

Earnings and distribution per stapled security:	Note	Percentage Movement	31 December 2013 Cents	31 December 2012 Cents
Earnings available for distribution per security	7(b) & (c)	3.1%	8.43	8.18
Distribution per security	7(d)	2.5%	8.20	8.00

	31 December 2013 $	30 June 2013 $
Net Tangible Assets per security at balance date	1.96	1.90

Financial position

Net assets per stapled security increased by 3.16% from $1.90 to $1.96 compared to June 2013 primarily as a result of the property revaluations during the period.

Investment property revaluations increased the portfolio value by 2.19% from $786.00 million to $803.19 million during the half-year. Capitalisation rates remained constant at 6.59% with the increase in property valuations coming from the November 2013 CPI rent increase and slightly lower Queensland land tax expense.

ALE's funding structure continues to be characterised by diverse sources of funding instruments with maturity dates averaging 4.8 years. The next scheduled maturity is the ALE Notes 2 in August 2014. ALE is entitled to elect to extend the maturity date by one or two years by paying additional redemption premiums. At the balance date directors have yet to make any decision on whether to extend the maturity date.

At 31 December 2013, net covenant gearing was down 1.5% to 49.5%. ALE continues to maintain appropriate headroom to all debt covenants equivalent to an average 26.9% fall in property values.

ALE has consistently sought to protect investors from inflation and interest rate risk and continues to have long term hedging in place to achieve this objective. During the prior period ALE undertook a detailed review of its hedging arrangements. The outcome of that review included termination of the existing CPI hedge at the break date and entry into a simpler and lower cost nominal hedge for a term of 10 years.

The interest rate for the replacement hedge was set at a low 3.83% p.a. being a level not available since 1908 when the long term bond market was first established in Australia. With the new nominal hedge there is no escalated amount payable. Finally, the bank counterparty is unable to exercise any discretionary rights to break the hedge before the end of the 10 year term.

Business strategies and prospects

ALE has continued to preserve the quality of the existing property portfolio and is now exploring the opportunity to further diversify its funding sources. A materially reduced gearing position provides the opportunity to maintain a stable distribution profile past the full amortisation of the counter hedge benefits.

In future years ALE's objective is to grow distributions from a base of 16.00 cps from the June 2013 year by CPI until the next refinancing. This guidance assumes an unchanged portfolio, hedging and capital structure.

As credit markets improve, ALE will consider taking advantage of opportunities to complete debt refinancings at lower ongoing costs, longer tenure, or both. Specifically, in the coming year we will review opportunities to refinance any debt early if this is valuable for securityholders.

8. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

9. ENVIRONMENTAL REGULATION

Whilst ALE is not subject to significant environmental regulation in respect of its property activities, the directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the directors are not aware of any material breaches of these requirements. At three properties ongoing testing and monitoring is being undertaken and minor remediation work is required.

10. ROUNDING OF AMOUNTS

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

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

Peter H Warne
Director
Sydney

Dated this 23rd day of January 2014

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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney

23 January 2014

STATEMENT OF COMPREHENSIVE INCOME

For the Half-Year ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Revenue			
Rent from investment properties		26,932	26,391
Interest from cash deposits		977	1,652
Total revenue		**27,909**	**28,043**
Other income			
Fair value increments to investment properties	9	17,190	13,080
Other income		50	236
Total other income		**17,240**	**13,316**
Total income		**45,149**	**41,359**
Expenses			
Fair value decrements to derivatives	4	2,946	29,717
Finance costs - cash	5	8,178	9,440
Finance costs - non-cash	5	2,399	3,168
Queensland land tax expense		1,101	1,142
Other expenses		2,271	1,940
Total expenses		**16,895**	**45,407**
Profit / (Loss) before income tax		**28,254**	**(4,048)**
Income tax (expense)/benefit		(524)	322
Profit / (Loss) after income tax benefit		**27,730**	**(3,726)**
Other comprehensive income		**-**	**-**
Other comprehensive income for the period after income tax		**-**	**-**
Total comprehensive income for the period		**27,730**	**(3,726)**
Profit attributable to:			
Members of ALE		27,730	(3,726)
Profit for the period		27,730	(3,726)
Total comprehensive income attributable to:			
Members of ALE		27,730	(3,726)
Total comprehensive income for the period		27,730	(3,726)
		Cents	**Cents**
Basic and diluted earnings/(losses) per stapled security	7(a)	14.21	(2.20)

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

ALE Property Group

STATEMENT OF FINANCIAL POSITION

For the Half-Year ended 31 December 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	8	58,407	54,652
Receivables		1,385	1,377
Derivatives	6	2,065	-
Assets held for resale		4,500	-
Other		1,305	226
Total current assets		**67,662**	**56,255**
Non-current assets			
Investment properties	9	798,690	786,000
Derivatives	6	10,759	17,425
Plant and equipment		34	42
Deferred tax asset		4,818	5,337
Total non-current assets		**814,301**	**808,804**
Total assets		**881,963**	**865,059**
Current liabilities			
Payables		4,309	4,236
Borrowings	10	164,049	-
Derivatives	6	2,097	356
Provisions		16,168	15,640
Total current liabilities		**186,623**	**20,232**
Non-current liabilities			
Borrowings	10	295,982	457,659
Derivatives	6	15,415	18,811
Total non-current liabilities		**311,397**	**476,470**
Total liabilities		**498,020**	**496,702**
Net assets		**383,943**	**368,357**
Equity			
Contributed equity	11	258,019	254,080
Reserve		428	382
Retained profits	12	125,496	113,895
Total equity		**383,943**	**368,357**

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

ALE Property Group

STATEMENT OF CHANGES IN EQUITY

Half-Year Report for period ended 31 December 2013

	Share Capital $'000	Share based payments reserve $'000	Retained Earnings $'000	Total $'000
2013				
Total equity at the beginning of the half-year	**254,080**	**382**	**113,895**	**368,357**
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	27,730	27,730
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	27,730	27,730
Employee security based payments	-	96	-	96
Vesting of performance rights	-	(50)	(81)	(131)
Securities issued - dividend reinvestment plan	3,939	-	-	3,939
Distribution paid or payable	-	-	(16,048)	(16,048)
Total equity at the end of the half-year	**258,019**	**428**	**125,496**	**383,943**
2012				
Total equity at the beginning of the half-year	**182,255**	**207**	**130,039**	**312,501**
Total comprehensive income for the period				
Profit/(Loss) for the period	-	-	(3,726)	(3,726)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,726)	(3,726)
Employee security based payments	-	75	-	75
Vesting of performance rights	19	(19)	-	-
Securities issued - dividend reinvestment plan	4,727	-	-	4,727
Stapled securities issued - Placement	40,000	-	-	40,000
Stapled securities issued - Share purchase plan	27,024	-	-	27,024
Capital raising costs	(1,471)	-	-	(1,471)
Distribution paid or payable	-	-	(15,486)	(15,486)
Total equity at the end of the	**252,554**	**263**	**110,827**	**363,644**

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

STATEMENT OF CASH FLOWS

Half-Year Report for period ended 31 December 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities			
Receipts from tenant and others		29,662	29,109
Payments to suppliers and employees		(7,143)	(4,518)
Interest received		922	2,078
Interest received - interest rate hedges		4,018	5,334
Borrowing costs paid		(12,077)	(13,862)
Net cash inflow from operating activities	8	**15,382**	**18,141**
Cash flows from investing activities			
Net cash inflow / (outflow) from investing activities		**-**	**-**
Cash flows from financing activities			
Proceeds from borrowings - ALE Notes 2		-	40,000
Proceeds from stapled securities issued		-	67,025
Derivative termination payment		-	(84,317)
Borrowing and capital raising costs paid		(27)	(2,380)
Distributions paid		(11,600)	(8,062)
Net cash inflow / (outflow) from financing activities		**(11,627)**	**12,266**
Net increase / (decrease) in cash and cash equivalents held		**3,755**	**30,407**
Cash and cash equivalents at the beginning of the half-year		54,652	44,431
Cash and cash equivalents at the end of the half-year	8	**58,407**	**74,838**

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

Note 1 Statement of Compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by ALE during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

Note 2 Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

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

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (a))
AASB 13 *Fair Value Measurement* (see (b))
AASB 119 *Employee Benefits* (2011)
Annual Improvements to Australian Accounting Standards 2009–2011 Cycle

(a) Subsidiaries
As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances. This change in policy did not change the entities that are consolidated.

(b) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 6 and Note 18).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

Note 3 Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2013.

Measurement of fair values

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

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

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

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
• *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
• *Level 2*: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
• *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

	31 December 2013 $'000	31 December 2012 $'000
Note 4 Fair value adjustments to derivatives		
Interest rate hedges fair value net increment/(decrement)	(2,946)	(8,307)
CPI hedge fair value net increment/(decrement)	-	(21,410)
	(2,946)	**(29,717)**

The fair value decrement during the current period is a result of decreasing long term interest rates providing an increment and the value of counter hedge amortisation providing a decrement. The fair value adjustments to derivatives will reverse over the life of the derivative if they are held to maturity and therefore are non-cash timing differences. During the previous period a portion of the derivative value movement was realised upon termination of the CPI hedge.

		31 December 2013 $'000	31 December 2012 $'000
Note 5 Finance costs	**Note**		
Finance costs - cash			
Capital Indexed Bonds (CIB)	10(b) & (iii)	2,358	2,308
Commercial Mortgage Backed Securities (CMBS)	10(c)	4,007	4,704
ALE Notes 2	10(d)	5,514	5,220
Interest rate derivative payments/(receipts)	-	(3,835)	(4,734)
Other expenses	(i)	134	1,942
		8,178	**9,440**
Finance costs - non-cash			
CIB - accumulating indexation	10(b) & (iii)	1,252	993
CPI Hedge - accumulating indexation	-	-	1,290
Amortised costs - CMBS & CIB	(ii)	421	382
Amortised costs - CPI Hedges	(ii)	-	57
Amortised costs - ALE Notes 2	(ii)	726	446
		2,399	**3,168**
Finance costs (cash and non-cash)		**10,577**	**12,608**

(i) Other borrowing costs such as rating agency fees and liquidity fees.

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

(iii) The finance costs in respect of the CIB comprise the interest coupon payable at 3.4% (cash) and the accumulated indexation (non cash) payable on maturity based on the actual consumer price indexes relevant to the reporting period.

In reconciling profit after tax to amounts available for distribution to stapled securityholders, the non-cash finance costs have been added back thereby recognising that their non-cash nature increases the amounts available for distribution. (Note 7 contains further information).

	31 December 2013 $'000	30 June 2013 $'000
Note 6 Derivatives		
Current assets	2,065	-
Non-current assets	10,759	17,425
Asset	12,824	17,425
Current liabilities	(2,097)	(356)
Non current liabilities	(15,415)	(18,811)
(Liability)	(17,512)	(19,167)
Net asset / (liability)	**(4,688)**	**(1,742)**

During the period the net value of ALE's derivatives decreased by $2.946 million (June 2013: $8.476 million).

Note 6 Derivatives (continued)

Instruments used by the Group

ALE uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with ALE's financial risk management policies. During the prior period the CPI Hedge in place was terminated. As at the balance date, ALE has hedged all non-CIB borrowings with a nominal interest rate hedge entered into on 6 December 2012. In addition, interest rates on certain floating rate borrowings had previously been subject to interest rate hedges and due to a CPI Hedge that was in place at the time the interest rate hedges were no longer required and had been counter hedged. Interest rate hedges are carried on the statement of financial position at fair value. Changes in the mark to market fair value of these derivatives are recognised in the statement of comprehensive income.

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

	Hierarchy	31 December 2013 $'000	31 December 2012 $'000
Assets			
Interest rate hedges	Level 2	**12,824**	17,425
Liabilities			
Interest rate hedges	Level 2	**(17,512)**	(19,167)

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

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the six months ended 31 December 2013.

Note 7 Distributions

ALE pays distributions subject to the minimum requirement to distribute taxable income of the trust under the Trust Deed. The following statement reconciles the profit after income tax to the total available for distribution.

		31 December 2013 $'000	31 December 2012 $'000
Reconciliation of profit/(loss) after tax to amounts available for distribution:			
Profit after income tax for the half-year	(a)	**27,730**	**(3,726)**
Plus / (Less)			
Fair value (increments)/decrements to investment properties		(17,190)	(13,080)
Fair value (increments)/decrements to derivatives		2,946	29,717
Employee security based payments		96	75
Finance costs - non-cash		2,399	3,168
Income tax expense/(benefit)		524	(322)
Adjustments for non-cash items		**(11,225)**	**19,558**
Total available for distribution	(b) & (c)	**16,505**	**15,832**
Distribution paid or provided for	(d)	16,048	15,486
Available and undistributed / (over distributed) for the half-year	(e)	**457**	**346**
<u>Reconciliation of accumulated undistributed balances</u>			
Opening balance		11,061	10,715
Available and undistributed/(over distributed) for the half-year		457	346
Closing balance	(f)	**11,518**	**11,061**

	Number of Stapled Securities On Issue	Number of Stapled Securities On Issue
Weighted average number of stapled securities used as the denominator in calculating earnings per stapled security at (a) and (b) below.	195,177,111	169,321,433
Stapled securities on issue at the end of the half-year used in calculating distribution per stapled security at (c) and (d) below.	195,702,333	193,577,678

		31 December 2013 Cents Per Stapled Security	31 December 2012 Cents Per Stapled Security
(a)	Basic and diluted earnings	14.21	(2.20)
(b)	Basic and diluted earnings per stapled security before fair value adjustments, non-cash finance costs and non-cash amortisation of borrowing costs	8.46	9.35
(b) & (c)	Total available for distribution	8.43	8.18
(d)	Distribution	8.20	8.00
(e)	Available and undistributed for the half-year	0.23	0.18
(f)	Accumulated available and undistributed at the half-year	5.89	5.71

	31 December 2013 $'000	30 June 2013 $'000
Note 8 Cash assets and cash equivalents		
Cash at bank and in hand	1,183	1,928
Deposits at call	28,684	24,209
Cash reserve and collateral deposits	28,540	28,515
	58,407	**54,652**

An amount of $8.39 million is required to be held as a cash reserve as part of the terms of the CMBS and CIB issues in order to provide liquidity for CMBS and CIB obligations to scheduled maturities of 20 May 2016 and 20 November 2023 respectively.

An amount of $10.15 million is held in a Sales Proceeds Account in accordance with an Issuer Loan Agreement for the CIB and CMBS facilities. The cash held in this account can be placed on short term deposit or released for additional property to be placed within the security pool. Refer note 10(f) for further details on the assets pledged as security for the CIB and CMBS facilities.

An amount of $10.0 million is held in term deposits by Citibank N.A, Sydney Branch as security for interest rate hedges.

	31 December 2013 $'000	31 December 2012 $'000
Reconciliation of profit after income tax to net cash inflows from operating activities		
Profit for the half-year	**27,730**	**(3,726)**
Fair value (gains)/losses to investment property	(17,190)	(13,080)
Fair value (gains)/losses to derivative financial instruments	2,946	29,717
Finance costs - amortisation	1,147	885
Finance costs - accumulating indexation	1,252	2,283
Stapled security based payments expense	96	75
Stapled security based payments securities purchased	(131)	-
Depreciation	8	11
Decrease/(Increase) in receivables	341	2,118
Decrease/(Increase) in other assets	(1,079)	(915)
Decrease/(Increase) in deferred tax asset	519	(322)
Increase/(Decrease) in payables	(276)	1,071
Increase/(Decrease) in provisions	19	24
Net cash inflow from operating activities for the half-year	**15,382**	**18,141**

	31 December 2013 $'000	30 June 2013 $'000
Note 9 Investment properties		
Investment properties - at fair value	**798,690**	**786,000**
Reconciliation		
A reconciliation of the carrying amounts of investment properties at the beginning and end of the half-year is set out below:		
Carrying amount at beginning of the half-year	786,000	784,610
Transferred to assets held for resale (see below)	(4,500)	-
Net gain from fair value adjustments	17,190	1,390
Carrying amount at the end of the half-year	**798,690**	**786,000**
		-

Investment properties

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

Note 9 Investment properties (continued)

Assets held for resale

On 24 September 2013 contracts were exchanged on the sale of Victoria Hotel, Shepparton, Victoria at a value of $4.5 million. The contract was subject to the regulatory approval of the transfer of liquor and gaming licenses to the purchaser. As at balance date the regulatory approval had not been finalised and accordingly the sale has not been recorded in the financial statements.

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 3 properties are subject to long term leases to ALH on a double net basis.

Valuation of investment properties

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. As at 31 December 2013 the weighted average investment property capitalisation rate used to determine the value of all investment properties was 6.59% (June 2013: 6.59%).

Independent valuations as at 30 June 2013

In accordance with ALE's policy of independently valuing at least one-third of its property portfolio annually, 30 properties were independently valued as at 30 June 2013. The independent valuations are identified as "A" in the investment property table under the column labelled "Valuation type and date". These valuations were completed by CBRE (VIC and SA) and Urbis Valuations (QLD, NSW and WA).

Directors' valuations as at 30 June 2013

30 of ALE's properties were independently valued as at 30 June 2013. The remaining 57 properties were subject to Directors' valuations as at 30 June 2013, identified as "B". The Directors' valuations of the 57 properties were determined by taking each property's net rent as at 30 June 2013 and capitalising it at a rate equal to the prior year capitalisation rate for that property, adjusted by the average change in capitalisation rate evident in the 30 independent valuations completed at 30 June 2013 on a state by state basis. The Directors have received advice from CBRE and Urbis that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a state by state basis.

Directors' valuations as at 31 December 2013

During December 2013 the directors revalued each of ALE's 86 properties. The directors' valuations recognise the impact of the November 2013 state based CPI rental increases which resulted in a national weighted average indexation of property net income (exclusive of Queensland land tax) of 2.25% and are based on independent advice that it is not unreasonable to keep the capitalisation rate of ALE's triple net lease properties unchanged. The overall impact was no change in the weighted average rate applied in determining the 31 December 2013 valuation results at 6.59%.

Fair value hierarchy

The fair value measurement for investment property has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Note 9 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair Value at 31 December 2013 $'000	Fair Value at 30 June 2013 $'000	Fair Value gains/ (losses) for 31 December 2013 $'000
New South Wales						
Blacktown Inn, Blacktown	Nov-03	5,472	D , B	8,910	8,720	190
Brown Jug Hotel, Fairfield Heights	Nov-03	5,660	D , A	9,420	9,230	190
Colyton Hotel, Colyton	Nov-03	8,208	D , B	13,370	13,100	270
Crows Nest Hotel, Crows Nest	Nov-03	8,772	D , B	13,300	13,030	270
Melton Hotel, Auburn	Nov-03	3,114	D , A	5,540	5,430	110
Narrabeen Sands Hotel, Narrabeen	Mar-09	8,945	D , A	11,250	11,250	-
New Brighton Hotel, Manly	Nov-03	8,867	D , B	14,920	14,620	300
Pioneer Tavern, Penrith	Nov-03	5,849	D , B	9,730	9,530	200
Pritchard's Hotel, Mt Pritchard	Oct-07	21,130	D , B	19,480	18,910	570
Smithfield Tavern, Smithfield	Nov-03	4,151	D , A	6,950	6,810	140
Total New South Wales properties		**80,168**		**112,870**	**110,630**	**2,240**
Queensland						
Albany Creek Tavern, Albany Creek	Nov-03	8,396	D , A	12,170	11,800	370
Alderley Arms Hotel, Alderley	Nov-03	3,303	D , B	5,360	5,220	140
Anglers Arms Hotel, Southport	Nov-03	4,434	D , B	7,740	7,570	170
Balaclava Hotel, Cairns	Nov-03	3,304	D , B	5,960	5,820	140
Breakfast Creek Hotel, Breakfast Creek	Nov-03	10,659	D , A	14,590	14,240	350
Burleigh Hotel, Burleigh Heads	Nov-08	6,685	D , A	11,410	11,160	250
Camp Hill Hotel, Camp Hill	Nov-03	2,265	D , B	3,450	3,420	30
Chardons Corner Hotel, Annerly	Nov-03	1,416	D , B	2,100	2,110	(10)
Dalrymple Hotel, Townsville	Nov-03	3,208	D , B	5,700	5,570	130
Edge Hill Tavern, Manoora	Nov-03	2,359	D , B	4,660	4,560	100
Edinburgh Castle Hotel, Kedron	Nov-03	3,114	D , A	4,900	4,790	110
Four Mile Creek, Strathpine	Jun-04	3,672	D , B	6,000	6,000	-
Hamilton Hotel, Hamilton	Nov-03	6,604	D , B	9,550	9,300	250
Holland Park Hotel, Holland Park	Nov-03	3,774	D , A	6,380	6,220	160
Kedron Park Hotel, Kedron Park	Nov-03	2,265	D , A	3,220	3,260	(40)
Kirwan Tavern, Townsville	Nov-03	4,434	D , B	8,680	8,480	200
Lawnton Tavern, Lawnton	Nov-03	4,434	D , A	7,100	6,940	160
Miami Tavern, Miami	Nov-03	4,057	D , B	8,680	8,480	200
Mount Gravatt Hotel, Mount Gravatt	Nov-03	3,208	D , B	5,280	4,980	300
Mount Pleasant Tavern, Mackay	Nov-03	1,794	D , A	3,360	3,280	80
Noosa Reef Hotel, Noosa Heads	Jun-04	6,874	D , B	11,780	11,780	-
Nudgee Beach Hotel, Nudgee	Nov-03	3,020	D , B	4,370	4,240	130
Palm Beach Hotel, Palm Beach	Nov-03	6,886	D , B	11,330	11,080	250
Pelican Waters, Caloundra	Jun-04	4,237	D , B	6,710	6,560	150
Prince of Wales Hotel, Nundah	Nov-03	3,397	D , B	5,860	5,730	130
Racehorse Hotel, Booval	Nov-03	1,794	D , A	3,140	3,050	90
Redland Bay Hotel, Redland Bay	Nov-03	5,189	D , B	8,450	8,210	240
Royal Exchange Hotel, Toowong	Nov-03	5,755	D , B	9,060	8,850	210
Springwood Hotel, Springwood	Nov-03	9,150	D , B	13,640	13,320	320
Stones Corner Hotel, Stones Corner	Nov-03	5,377	D , A	8,950	8,740	210
Vale Hotel, Townsville	Nov-03	5,661	D , A	10,320	10,090	230
Wilsonton Hotel, Toowoomba	Nov-03	4,439	D , C	7,980	7,790	190
Total Queensland properties		**145,164**		**237,880**	**232,640**	**5,240**

Note 9 Investment properties (continued)

Property	Date acquired	Cost including additions $'000	Valuation type and date	Fair Value at 31 December 2013 $'000	Fair Value at 30 June 2013 $'000	Fair Value gains/ (losses) for 31 December 2013 $'000
South Australia						
Aberfoyle Hub Tavern, Aberfoyle Park	Nov-03	3,303	D , B	5,620	5,510	110
Eureka Tavern, Salisbury	Nov-03	3,303	D , B	5,810	5,700	110
Exeter Hotel, Exeter	Nov-03	1,888	D , A	3,550	3,480	70
Finsbury Hotel, Woodville North	Nov-03	1,605	D , B	3,000	2,940	60
Gepps Cross Hotel, Blair Athol	Nov-03	2,171	D , A	4,170	4,090	80
Hendon Hotel, Royal Park	Nov-03	1,605	D , B	3,050	2,990	60
Stockade Tavern, Salisbury	Nov-03	4,435	D , B	7,490	7,350	140
Total South Australian properties		**18,310**		**32,690**	**32,060**	**630**
Victoria						
Ashley Hotel, Braybrook	Nov-03	3,963	D , A	6,900	6,740	160
Bayswater Hotel, Bayswater	Nov-03	9,905	D , B	16,790	16,400	390
Berwick Inn, Berwick	Feb-06	15,888	D , A	17,340	17,340	-
Blackburn Hotel, Blackburn	Nov-03	9,433	D , A	14,400	14,070	330
Blue Bell Hotel, Wendouree	Nov-03	1,982	D , A	4,020	3,920	100
Boundary Hotel, East Bentleigh	Jun-08	17,943	D , B	20,310	19,840	470
Burvale Hotel, Nunawading	Nov-03	9,717	D , A	15,800	15,440	360
Club Hotel, Ferntree Gully	Nov-03	5,095	D , B	9,360	9,140	220
Cramers Hotel, Preston	Nov-03	8,301	D , B	14,610	14,270	340
Deer Park Hotel, Deer Park	Nov-03	6,981	D , B	11,670	11,400	270
Doncaster Inn, Doncaster	Nov-03	12,169	D , B	19,480	19,030	450
Ferntree Gully Hotel/Motel, Ferntree Gully	Nov-03	4,718	D , B	8,810	8,610	200
Gateway Hotel, Corio	Nov-03	3,114	D , A	6,210	6,060	150
Keysborough Hotel, Keysborough	Nov-03	9,622	D , A	14,190	13,870	320
Mac's Melton Hotel, Melton	Nov-03	6,886	D , B	11,160	10,900	260
Meadow Inn Hotel/Motel, Fawkner	Nov-03	8,113	D , B	13,130	12,830	300
Mitcham Hotel, Mitcham	Nov-03	8,314	D , B	13,440	13,130	310
Morwell Hotel, Morwell	Nov-03	1,511	D , B	3,160	3,080	80
Olinda Creek Hotel, Lilydale	Nov-03	3,963	D , A	6,520	6,370	150
Pier Hotel, Frankston	Nov-03	8,019	D , A	12,640	12,350	290
Plough Hotel, Mill Park	Nov-03	8,490	D , A	12,520	12,230	290
Prince Mark Hotel, Doveton	Nov-03	9,810	D , B	16,160	15,790	370
Royal Exchange, Traralgon	Nov-03	2,171	D , B	4,400	4,300	100
Sandbelt Club Hotel, Moorabbin	Nov-03	10,849	D , B	16,880	16,490	390
Sandown Park Hotel/Motel, Noble Park	Nov-03	6,321	D , B	9,920	9,690	230
Sandringham Hotel, Sandringham	Nov-03	4,529	D , A	8,990	8,780	210
Somerville Hotel, Somerville	Nov-03	2,642	D , B	5,060	4,940	120
Stamford Inn, Rowville	Nov-03	12,733	D , A	18,800	18,370	430
Sylvania Hotel, Campbellfield	Nov-03	5,377	D , B	9,870	9,640	230
Tudor Inn, Cheltenham	Nov-03	5,472	D , B	9,170	8,960	210
The Vale Hotel, Mulgrave	Nov-03	5,566	D , B	9,070	8,860	210
Victoria Hotel, Shepparton	Nov-03	2,265	B	-	4,500	-
Village Green Hotel, Mulgrave	Nov-03	12,546	D , B	17,710	17,300	410
Young & Jacksons, Melbourne	Nov-03	6,132	D , B	9,990	9,760	230
Total Victorian properties		**250,540**		**388,480**	**384,400**	**8,580**

Western Australia						
Queens Tavern, Highgate	Nov-03	4,812	D , B	7,890	7,700	190
Sail & Anchor Hotel, Fremantle	Nov-03	3,114	D , B	4,590	4,480	110
The Brass Monkey Hotel, Northbridge	Nov-07	7,816	D , B	8,240	8,040	200
Balmoral Hotel, East Victoria Park	Jul-07	6,377	D , B	6,050	6,050	-
Total Western Australian properties		**22,119**		**26,770**	**26,270**	**500**
Total investment properties		**516,301**		**798,690**	**786,000**	**17,190**

Valuation type and date

- A Independent valuations conducted during June 2013 with a valuation date of 30 June 2013.
- B Directors' valuations conducted during June 2013 with a valuation date of 30 June 2013.
- C Directors' valuations conducted during June 2013 with a valuation date of 30 June 2013. During the prior period this property was sub divided to create a vacant lot. The vacant lot was then sold.
- D Directors' valuations conducted during December 2013 with a valuation date of 31 December 2013.

	Note	31 December 2013 $'000	30 June 2013 $'000
Note 10 Borrowings			
Current borrowings			
ALE Notes 2	(d)	164,049	-
		164,049	**-**
Non-current borrowings			
CIB	(b)	138,137	136,860
CMBS	(c)	157,845	157,449
ALE Notes 2	(d)	-	163,350
		295,982	**457,659**

Disclosed above are current borrowings for the ALE Notes as they mature in August 2014. Management are currently in the process of assessing a number of options in order the refinance this debt on or prior to maturity. In the unlikely event that refinancing of the debt is not in place by the maturity date, the Directors have the option of extending the term by another one or two years, as disclosed in (d) below.

	31 December 2013 $'000	30 June 2013 $'000
CIB		
Gross value of debt	111,900	111,900
Accumulated indexation	27,128	25,876
Unamortised borrowing costs	(891)	(916)
Net balance	**138,137**	**136,860**
Movements for the half-year		
Opening balance	136,860	134,857
Accumulating indexation	1,252	1,979
Amortisation of establishment costs	25	24
Closing balance	**138,137**	**136,860**

	31 December 2013 $'000	30 June 2013 $'000
CMBS		
Gross value of debt	160,000	160,000
Unamortised borrowing costs	(2,155)	(2,551)
Net balance	**157,845**	**157,449**
Movements for the half-year		
Opening balance	157,449	157,078
Amortisation of establishment costs	396	371
Closing balance	**157,845**	**157,449**

	31 December 2013 $'000	30 June 2013 $'000
ALE Notes 2		
Gross value of debt	165,001	165,001
Unamortised borrowing costs	(952)	(1,651)
Net balance	**164,049**	**163,350**
Movements for the half-year		
Opening balance	163,350	162,683
Borrowing establishment costs capitalised	(27)	-
Amortisation of establishment costs	726	667
Closing balance	**164,049**	**163,350**

Note 10 Borrowings (continued)

(a) Terms and Repayment schedule

	Nominal Interest Rate	Maturity Date[1]	31 December 2013 Face Value	31 December 2013 Carrying Amount	31 December 2012 Face Value	31 December 2012 Carrying Amount
CIB	3.4%[2]	Nov-2023	111,900	139,028	111,900	137,776
CMBS	BBSW + 2.20%	May-2016	146,000	146,000	146,000	146,000
CMBS	BBSW + 3.75%	May-2016	14,000	14,000	14,000	14,000
ALE Notes 2	BBSW + 4.00%	Aug-2014	165,001	165,001	165,001	165,001
			436,901	464,029	436,901	462,777
Unamortised borrowing costs				(3,998)		(5,118)
Total borrowings				460,031		457,659

1. Maturity date refers to the first scheduled maturity date for each tranche of borrowing. The CMBS and ALE Notes 2 borrowings have extension provisions as outlined in (c) and (d) below.

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

(b) CIB (Capital Indexed Bonds)

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

(c) CMBS (Commercial Mortgage Backed Securities)

On 29 April 2011 $160 million of replacement CMBS were issued with a scheduled maturity of 20 May 2016. A floating rate of interest is payable on the CMBS at BBSW plus a weighted average margin of 2.34%.

As required by the new CMBS issue on 29 April 2011, ALE put in place $160 million of interest rate hedge contracts to cover 100% of the CMBS interest payments. Under these hedge contracts ALE is obliged to receive a floating rate of interest and pay a fixed rate of interest. Given the CPI hedging arrangements then in place, counter hedges were entered into which fully offset the new hedge contracts for interest on the $160 million CMBS. ALE will continue to receive or pay net amounts until 2020 arising from the difference between fixed rates payable and fixed rates receivable in respect of the offsetting hedges.

(d) ALE Notes 2

$125 million of ALE Notes 2 were issued on 30 April 2010 with a scheduled maturity date of 20 August 2014. During the prior period an additional $40 million of notes were issued with the same maturity dates. Under the terms of the issue ALE has the right to extend the maturity date by one or two years, at which time a redemption premium of $1 and $2 per note respectively becomes due and payable upon maturity. ALE is yet to make a decision to extend the maturity date of the Notes. Interest is payable on the ALE Notes 2 on a floating rate basis with a margin of 4.00%. Interest is payable quarterly in arrears on the Notes.

Note 10 Borrowings (continued)

(e) Interest rate hedges

At 31 December 2013, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Nominal Interest Rate Hedges		Counter Hedges on Nominal Interest Rate Hedges		Net Derivative position	
	December 2013 $'000	June 2013 $'000	December 2013 $'000	June 2013 $'000	December 2013 $'000	June 2013 $'000
Less than 1 year	25,000	25,000	-	-	25,000	25,000
1 - 2 years	70,000	70,000	(106,000)	(106,000)	(36,000)	(36,000)
2 - 3 years	-	-	-	-	-	-
3 - 4 years	-	-	-	-	-	-
4 - 5 years	112,500	54,000	(112,500)	(54,000)	-	-
Greater than 5 years *	291,000	291,000	-	-	291,000	291,000
	498,500	440,000	(218,500)	(160,000)	280,000	280,000

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

The weighted average term of the interest rate hedges and fixed rate securities in relation to the total net borrowings of ALE has decreased from 10.2 years at 31 December 2012 to 9.2 years at 31 December 2013.

The gain or loss from marking to market the interest rate hedges (derivatives) at fair value is taken directly to the statement of comprehensive income. In the period ended 31 December 2013 a decrement in value of $2.946 million was recognised to the Statement of Comprehensive Income (2012: decrement in value of $29.717 million).

(f) Assets pledged as securities

The ALE Notes 2 are unsecured borrowings. The carrying amounts of assets pledged as security as at the balance date for CMBS borrowings, CIB borrowings, and certain interest rate derivatives are:

	31 December 2013 $'000	30 June 2013 $'000
Current assets		
Cash reserve	**8,390**	8,390
Cash - Sales proceeds account	**10,150**	10,150
Cash - Hedging collateral	**10,000**	10,000
Non-current assets		
Total investment properties	**798,690**	786,000
Less: Properties not subject to mortgages		
Pritchard's Hotel, Mt Pritchard, NSW	**(19,480)**	(18,910)
Properties subject to first mortgages	**779,210**	767,090
Total assets	**807,750**	795,630

In the event of a default by the properties' tenant, ALH, if the assets pledged as security are insufficient to fully repay CMBS and CIB borrowings, the CMBS and CIB holders are also entitled to recover certain unpaid amounts from the business assets of ALH located at ALE's properties.

Note 10 Borrowings (continued)

Financial Covenants

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

Loan to Value Ratio (LVR) Covenants

Borrowing	LVR Covenant	Consequence
CIB	Outstanding indexed value of CIB not to exceed 25% of the CMBS property security values	ALE cannot borrow additional CIB if doing so would cause the LVR to be exceeded
CIB	Outstanding value of CIB not to exceed 66.6% of the CMBS property security values	Counterparty can terminate the CIB
CMBS	Outstanding value of CIB and CMBS not to exceed 60% of the CMBS property security values	ALE cannot borrow additional funds or buy back equity that would cause the covenant LVR to be exceeded
ALE Notes 2	New debt cannot be issued, equity cannot be bought back and special distributions cannot be paid if to do so would make total borrowings (total borrowings less cash) exceed 67.5% of total assets (total assets less cash and derivatives). This covenant is not breached by any other action, including a change in the value of ALE's property assets	Stapled Security distribution lockup. A step up margin of 2.0% would be added

No LVR covenants exist in relation to the various hedging facilities.

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

Interest Cover Ratio (ICR) Covenants

Borrowing	LVR covenant	Consequence
CIB	ALH EBITDAR to be greater than 7.5 times CIB interest	Stapled security distributions lock-up
CIB	ALH EBITDAR to be greater than 5.0 times CIB interest	Stapled security distributions and ALE Notes 2 interest lock-up
CIB/CMBS	ALH EBITDAR to be greater than 4.5 times CIB/CMBS interest	Stapled security distributions lock-up
CIB/CMBS	ALH EBITDAR to be greater than 3.0 times CIB/CMBS interest	Stapled security distributions and ALE Notes 2 Interest lock-up
ALE Notes 2	No covenant	Nil

Definitions

Interest amounts include all derivative payments and receipts.

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

No ICR covenants exist in relation to the various hedging facilities.

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

At all times during the periods ended 31 December 2013 and 30 June 2013, ALE and its subsidiaries were in compliance with all the above covenants.

Hedging Collateral Covenants

On 6 December 2012, ALE entered into new nominal interest rate hedging arrangements. ALE has granted to the hedge counter party security over cash collateral of $10.0 million and counter hedges with a current in the money market value of $11.4 million.

	31 December 2013 $'000	30 June 2013 $'000
Note 11 Contributed equity		
Balance at the beginning of the period	254,080	252,554
Stapled securities issued - Distribution Reinvestment Plan	3,939	1,526
	258,019	**254,080**

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

Stapled Securities on issue:	Number of Stapled Securities	Number of Stapled Securities
Balance at the beginning of the period	194,238,078	193,577,678
Stapled securities issued - Distribution Reinvestment Plan	1,464,255	660,400
Balance at the end of the period	195,702,333	194,238,078

Stapled securities issued

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

No income voting units (NIVUS)

The Trust issued 9,080,010 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.

	31 December 2013 $'000	30 June 2013 $'000
Note 12 Retained profits		
Balance at the beginning of the half-year	113,895	110,827
Profit attributable to stapled securityholders of ALE	27,730	18,635
Transfer from share based payments reserve	(81)	(28)
Total available for appropriation	141,544	129,434
Distributions provided for or paid during the half-year	(16,048)	(15,539)
Balance at the end of the half-year	**125,496**	**113,895**

	31 December 2013 $'000	30 June 2013 $'000
Note 13 Net assets per stapled security		
Net Assets at Balance date	**383,943**	**368,357**
Per stapled security on issue	**$1.96**	**$1.90**

Note 14 Segment information

Business segment

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

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

Geographical segment

ALE owns property solely within Australia.

Note 15 Contingent liabilities and contingent assets

Put and call option

For most of the investment properties, at the end of the initial lease term of 25 years (2028 for most of the portfolio), and at the end of each of four subsequent ten year terms if the lease 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 current value, at that time, as determined by the valuation methodology set out in the lease. ALE must pay the purchase price on expiry of the lease. Any leasehold improvements funded and completed by the tenant will be purchased by ALE from the tenant for an amount of $1.

Bank guarantee

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

Note 16 Investments in controlled entities

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

Note 17 Events occurring after reporting date

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

Note 18 Financial Instruments

(a) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2013.

(b) Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	December 2013		June 2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Cash and cash equivalents	58,407	58,407	54,652	54,652
Receivables	1,385	1,385	1,377	1,377
Derivatives	(4,688)	(4,688)	(1,742)	(1,742)
Other assets	1,305	1,305	226	226
Assets held for resale	4,500	4,500	-	-
Trade and other payables	(4,309)	(4,309)	(4,236)	(4,236)
CIB	(138,137)	(132,990)	(136,860)	(136,296)
CMBS	(157,845)	(161,863)	(157,449)	(162,236)
ALE Notes 2	(164,049)	(168,301)	(163,350)	(167,872)
	(403,431)	**(406,554)**	**(407,382)**	**(416,127)**

Basis for determining fair values
The basis for determining fair values is disclosed in Note 3. The ALE Notes 2 is a traded debt security on the Australian Securities Exchange. The fair value disclosed above reflects the market value of the ALE Notes 2 at the balance date.

(c) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2013				
Derivative financial assets	-	12,824	-	12,824
Derivative financial liabilities	-	(17,512)	-	(17,512)
Net derivative assets/(liabilities)	-	(4,688)	-	(4,688)
30 June 2013				
Derivative financial assets	-	17,425	-	17,425
Derivative financial liabilities	-	(19,167)	-	(19,167)
Net derivative assets/(liabilities)	-	(1,742)	-	(1,742)

Directors' declaration

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 26 are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the six month period ended on that date: and

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

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Peter H Warne
Director
Sydney

Dated this 23rd day of January 2014

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

Report on the financial report

We have reviewed the accompanying half-year financial report of ALE Property Group ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Australian Leisure and Entertainment Property Trust ("the Trust") and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ALE Property Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

KPMG

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney

23 January 2014

INVESTOR INFORMATION AND CORPORATE DIRECTORY

Half-Year Report for period ended 31 December 2013

INVESTOR INFORMATION

Stock Exchange Listing
The ALE Property Group (ALE) is listed on the Australian Stock Exchange (ASX). Its stapled securities are listed under ASX code: LEP and its ALE Notes 2 are listed under ASX code: LEPHC.

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

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

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

Publications
The Annual Review, Annual Report and Property Compendium are the main sources of information for stapled securityholders. In August each year the Annual Review, Annual Report and Full Year Financial Report, and in February each year, the Half-Year Financial Report are released to the ASX and posted on the ALE website. The Annual Review is mailed to stapled securityholders unless we are requested not to do so. The Full Year 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.

Websites
ALE's websites, www.alegroup.com.au and www.aleproperties.com.au are useful sources of information for securityholders. They includes details of ALE's property portfolio, current activities and future prospects. ASX announcements are also included on the site on a regular basis.

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

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

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

Email Alerts
For emailed updates, visit the ALE website and join "Email Alerts" at www.alegroup.com.au.

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