



Annual Review 2015

Growing Value

2015 Chairman's and Managing Director's Message

ALE completed the 2015 financial year with a number of notable achievements. Increasing property valuations, lower gearing and a higher distribution to securityholders are just some of the highlights. With the benefit of a strong balance sheet, ALE is well positioned to continue to deliver dependable and growing distributions.

OVERALL

ALE's highlights for FY15 included guidance being exceeded for both the quantum and tax deferred component of distributions. Additionally ALE's property portfolio saw a significant increase in statutory valuations to more than \$900 million.

The year was marked by ALE enjoying the full benefits of prior year capital management initiatives. Falling interest rates and an increased availability of debt funding pushed property market valuations to levels that strongly favoured vendors.

Today, ALE remains well positioned to withstand any future property and capital markets volatility with strong leases, profitable and well located properties and a secure financial position. Accordingly ALE remains confident of its ability to continue to deliver dependable and growing distributions to its securityholders.

ALE's PROPERTIES

Following an independent assessment, ALE's 86 properties were valued at \$900.5 million at 30 June 2015. This represents an increase of \$78.8 million or 9.6% over the year.

The result was driven by a reduction in the average capitalisation rate from 6.42% to 5.99%. Other factors included the annual CPI increase in rental income, a small increase in Queensland land tax and a rent restructure for a small number of ALE's properties.

CAPITAL STRUCTURE

As a result of the \$78.8 million increase in property valuations ALE's net gearing fell from 51.7% to 48.0% and net assets per security increased by 17.6% to \$2.27.

Annual interest expense has been reduced by around \$7 million following the completion of the major refinancing in May 2014. This largely replaced the benefits previously arising from the now expired counter hedge arrangements.

ALE's market capitalisation increased by more than 27% or \$155 million to \$722 million during the year.

Today ALE continues to enjoy a low risk capital structure characterised by debt maturities spread between FY18 and FY24, long term interest rate hedging and an all up interest rate of 4.35% until the first maturity date in August 2017.

ALE's average debt term remains long at 5.5 years and the average hedging term on 100% of the net debt also remains long at 7.8 years.

GOVERNANCE

The process of Board renewal that has been outlined in previous announcements continues. John Henderson retired after the 2014 Annual General Meeting following Paul Say's appointment in September 2014. Nancy Milne joined the Board in February 2015 as Helen Wright has advised that she intends to retire following the 2015 Annual General Meeting. There will be further changes over coming years as the renewal process continues.

LOOKING FORWARD

The outlook for both the 2018 and 2028 rent reviews remains positive given the increase in ALH's operating profitability across a large number of ALE's properties.

The Board has previously advised that it was considering various capital management options to maintain appropriate levels of gearing for ALE in the years up to and beyond the 2018 market rent review. As at 30 June 2015 gearing was 48.0%.

Following consultation with larger and smaller securityholders, the Board has decided to restore gearing to the target range of 50-55% by:

- Increasing the current distribution guidance for FY16 to at least 20.00 cps;
- Continuing to grow subsequent annual distributions by CPI; and
- Making a single capital return payment following the conclusion of the 2018 market rent review.

It is anticipated that further distribution guidance will be provided by the Board at the Annual General Meeting later this year.

All the above guidance assumes the existing property holdings, hedging and capital structure remains unchanged.

We again thank ALE's securityholders for their continuing support during the past financial year.



Peter Warne
Chairman

Andrew Wilkinson
Managing Director

Distribution

16.85
cps

Property Values

\$900.5
million

WALE

13.4
years

Net Gearing

48.0
percent

All Up Debt Rate

4.35
percent

Average Debt Term

5.5
years

Average Hedging Term

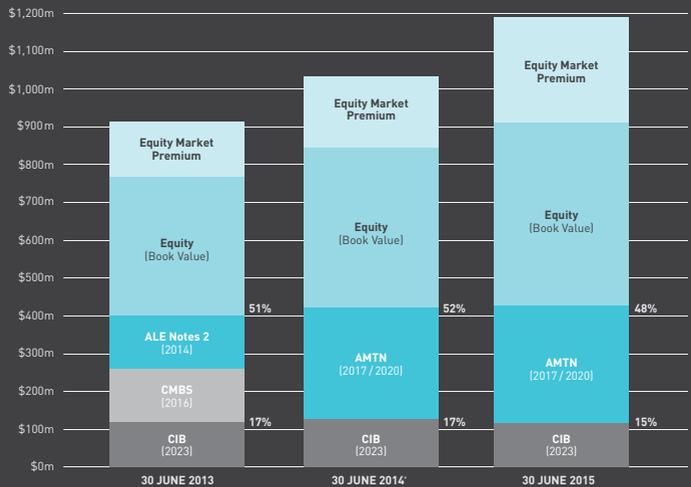
7.8
years

ALE is characterised by growing distributions, a simplified capital structure and a growing recognition of the portfolio value of ALE's properties.

Distributions (cents per security)

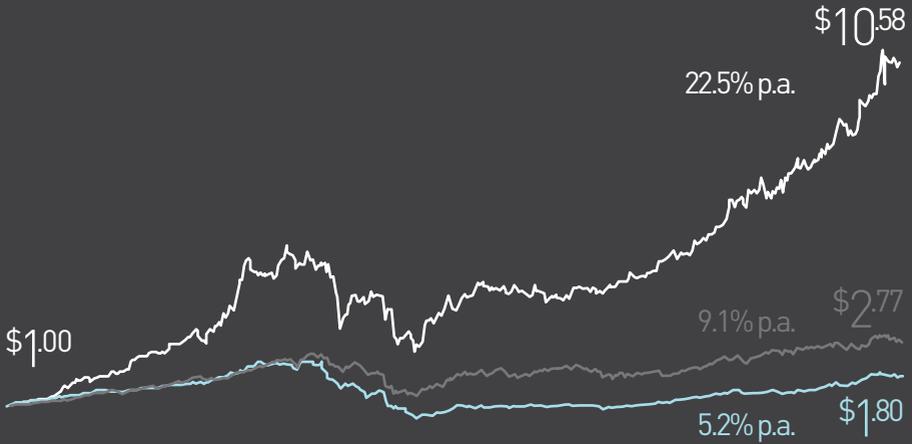


Capital Structure



* June 2014 debt assumes ALE Notes 2 redemption

Relative Value Performance From November 2003 IPO to June 2015



- ALE Price with distributions reinvested
- All Ordinaries Accumulation Index
- UBS S&P REIT 300 Index

Sources: ASX, IRESS, ALE

ALE: \$1.00 invested in 2003. \$10.58 of accumulated market value¹

¹ Includes equity market price of \$3.69 as at 30 June 2015 and reinvestment of distributions and 2009 renunciation payment



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