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ALH DIRECTORS UNANIMOUSLY RECOMMEND REJECTION OF BRUANDWO OFFER

All of the Directors of Australian Leisure & Hospitality Group Limited (ALH) today formally recommended ALH shareholders reject the unsolicited, conditional offer from Bruandwo Pty Limited (Bruandwo).

The unanimous recommendation is set out in ALH's Target's Statement which was today lodged with the Australian Securities and Investment Commission. All of the ALH Directors also announced that they will reject Bruandwo's Offer in respect of their own holdings.

The Target's Statement contains a report by an Independent Expert, KPMG Corporate Finance (Aust) Pty Ltd, which has concluded that the offer is neither fair nor reasonable. The Independent Expert assessed the value of ALH shares (including a premium for control) to be between $3.19 and $3.42 per share. The Independent Expert also concluded that the value of ALH shares to Bruandwo is likely to significantly exceed this range due to potential synergistic, strategic and special benefits if this offer is accepted by ALH shareholders.

The key reasons for the Directors' unanimous recommendation, including the Independent Expert's conclusion, are set out in the Target's Statement.

ALH also announced a pro forma (see Note 1) net profit after tax (NPAT) of $61.5 million for the year ended June 2004, a 21.5% increase on the 2003 financial year (on a 52 week basis) and 4.1% above the prospectus forecast for 2004. The pro forma results are unaudited. Audited financial results will be released prior to 30 September 2004.

ALH Directors also have authorised a fully franked final dividend of 6.5 cents per share, more than 8% higher than that forecast in the prospectus.

The ALH Directors are confident about the outlook for the company, which is reflected in its forecast for the 2005 financial year. Directors forecast FY2005 NPAT to increase 11.9% over the FY2004 pro forma results.

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ALH Chairman Mr Allan McDonald said:

"We urge all ALH shareholders to reject the Bruandwo offer. To do so, simply ignore any documentation sent to you by Bruandwo."

"Directors believe the Independent Expert's conclusions together with the strength of ALH's 2004 results and our outlook for 2005 support our view that Bruandwo's offer significantly undervalues ALH shares and is grossly inadequate."

"We are not surprised that Bruandwo is interested in acquiring ALH. Our company has an attractive business portfolio and high strategic value. However, the Directors are determined that if these quality assets are to be acquired by a third party, this should occur at a price that reflects their fair value."

Mr McDonald said the Target's Statement details six key reasons why Directors believe ALH shareholders should reject the offer:

1. The Independent Expert has concluded that the offer is neither fair nor reasonable;
2. The offer price is too low and it does not reflect an adequate premium for control;
3. The offer implies an earnings multiple which is inadequate relative to a number of transactions in the gaming sector;
4. The offer is opportunistically timed, coming only eight months after ALH listed;
5. ALH's management is delivering;
6. ALH is forecasting significant growth to continue into the 2005 financial year.

ALH Chief Executive Officer Mr Geoff Rankin said:

"The mid-point of the Independent Expert's control valuation for ALH shares is 20% higher than Bruandwo's offer price, and this is before taking into account the potential synergistic and strategic benefits that Bruandwo or Woolworth's could extract."

"The offer is only 11% more than the closing price on 30 June 2004 ($2.48), the day before Bergam Pty Limited, a subsidiary of Woolworth's, acquired 10.9% of ALH shares."

"The offer implies a capitalised forecast EBITDA acquisition multiple of just 7.6 times, which is materially lower than a number of acquisition multiples in the gaming sector."

"The offer is opportunistically timed, coming only eight months after ALH listed and just weeks before management was due to report its excellent financial results for the 2004 financial year."

"Our view is supported by business activity in July. Gaming revenues were up 7.5% in Victoria and 20.4% in Queensland on the corresponding period last year."

"All of this information, together with the conclusions of the Independent Expert, should leave ALH shareholders in no doubt about what we believe to be the inadequacy of Bruandwo's offer for their shares."

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The ALH Target's Statement is presently expected to be sent to shareholders within the next week. The Target's Statement will also be available on the ALH website www.alhgroup.com.au

Shareholders with enquiries should contact the ALH shareholder information line on 1800 554 525 (within Australia) or +612 9207 3630 (outside Australia) Monday to Friday between 8.00am and 6.00pm eastern standard time.

ends

Australian Leisure and Hospitality Group Limited
Noel Phillips
Company Secretary
12 August 2004

For further information:

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Note 1:

The financial information referred to in this release represents Australian Leisure & Hospitality Group Limited's (ALH Group) first full year announcement to the ASX since listing on 7 November 2003.

In view of the matters outlined below, the statutory results for the year ended June 2004 are not directly comparable to either the previous corresponding year ended June 2003 or the ALH Group Prospectus dated 19 September 2003 (the Prospectus) which was prepared on a pro forma basis as if the share offer, associated capital raising and repayment of debt owing to Foster's Group Limited (Foster's Group) occurred effective 1 July 2003.

A more meaningful comparison is set out in the ALH Group Supplementary Investor Report available at `www.alhgroup.com.au`. The Supplementary Report provides comparable revenue and EBITDAR for the years ended June 2004 and June 2003 and normalises the profit result (and cash flow from operating activities) to enable comparison with the Prospectus forecast.

Matters impacting comparability

- Revenue from ordinary activities has been impacted by the following:
  - the operating revenues of 6 pubs were reflected in other Foster's Group entities for the period until December 2002. These pubs were transferred to ALH Group on 31 December 2002 and hence their operating results are reflected in the ALH Group accounts for the year ended June 2004, but only a part year for the comparable prior reporting period;
  - due to ALH Group's adoption of a 4-4-5 reporting period, the year ended June 2004 reports 52 weeks operations (30 June 2003 – 27 June 2004), whereas the corresponding year ended June 2003 includes 53 weeks operations (24 June 2002 - 29 June 2003).

- EBITDAR and Profit from ordinary activities after tax expense have been impacted by the following:
  - as disclosed in the Prospectus, ALH Group has incurred non-recurring expenses associated with its separation from Foster's Group and ALH's listing;
  - the operating expenses of the 6 pubs reflected in other Foster's Group entities for the period until December 2002. As noted, these pubs were transferred to ALH Group on 31 December 2002 and hence their operating results are reflected in the ALH Group accounts for the year ended June 2004, but only a part year for the comparable prior reporting period;
  - structural change of ALH Group associated with its listing, which had the effect of:
    - increasing depreciation charges associated with the transfer in May 2003 of non-integral property, plant and equipment from Foster's Group to ALH Group;
    - reducing interest revenue received from Foster's Group Treasury. Interest revenue was previously received from Foster's Group due to interest bearing receivables owed to ALH Group;
    - raising of debt by ALH Group and the associated recognition of borrowing costs;
    - net reduction in rental expense due to:
      - transfer of non-integral property, plant and equipment from Foster's Group to ALH Group;
      - new leasehold arrangements with ALE Property Group from November 2003.
      - recognition of income tax expense. As a result of the Foster's Group tax consolidation regime, no income tax expense was booked in the accounts of ALH Group for the year ended 30 June 2003. The June 2004 expense represents the reinstatement of the deferred tax balances upon separation, the tax expense on exit from the Foster's Group, and the provision for income tax for the year ended June 2004.

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