



ARDENT
LEISURE

**Annual Financial Report
for the year ended 30 June 2017**

The financial report was authorised for issue by the Directors of Ardent Leisure Management Limited (ABN 36 079 630 676) and Ardent Leisure Limited (ABN 22 104 529 106) on 31 August 2017. The Directors have the power to amend and reissue the financial report.

Annual Financial Report

Directors' report to stapled security holders	2
Income Statements	38
Statements of Comprehensive Income	39
Balance Sheets	40
Statements of Changes in Equity	41
Statements of Cash Flows	42
1. Summary of significant accounting policies	43
2. Ardent Leisure Trust and Ardent Leisure Limited formation	59
3. Revenue from operating activities	59
4. Borrowing costs	59
5. Property expenses	59
6. Net loss from derivative financial instruments	60
7. Management fees	60
8. Other expenses	61
9. Remuneration of auditor	61
10. Income tax (benefit)/expense	62
11. (Losses)/earnings per security/share	63
12. Distributions and dividends paid and payable	65
13. Receivables	65
14. Derivative financial instruments	66
15. Inventories	67
16. Discontinued operations	67
17. Property classified as held for sale	70
18. Construction in progress	71
19. Other assets	71
20. Property, plant and equipment	72
21. Intangible assets	75
22. Deferred tax assets	78
23. Payables	79
24. Interest bearing liabilities	79
25. Provisions	82
26. Other liabilities	83
27. Deferred tax liabilities	83
28. Contributed equity	84
29. Security-based payments	85
30. Other equity	91
31. Reserves	92
32. (Accumulated losses)/retained profits	93
33. Business combinations	93
34. Cash and cash equivalents	93
35. Cash flow information	94
36. Net tangible assets	95
37. Related party disclosures	95
38. Segment information	97
39. Capital and financial risk management	102
40. Fair value measurement	110
41. Contingent liabilities	113
42. Capital and lease commitments	113
43. Deed of Cross Guarantee	115
44. Parent entity financial information	117
45. Events occurring after reporting date	118
Directors' declaration to stapled security holders	119
Independent auditor's report to stapled security holders	120
Investor Analysis	128
Investor Relations	129
Corporate Directory	130

Directors' report to stapled security holders

The Directors of Ardent Leisure Management Limited (Manager), (as responsible entity of Ardent Leisure Trust) and the Directors of Ardent Leisure Limited present their report together with the consolidated financial report of Ardent Leisure Group (Group or Consolidated Group) and the consolidated financial report of Ardent Leisure Limited Group (ALL Group) for the year ended 30 June 2017 (FY17).

The financial report of the Group comprises of Ardent Leisure Trust (Trust) and its controlled entities including Ardent Leisure Limited (ALL or Company) and its controlled entities. The financial report of the ALL Group comprises of Ardent Leisure Limited and its controlled entities.

Ardent Leisure Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are Level 16, 61 Lavender Street, Milsons Point, NSW 2061.

The units of the Trust and the shares of ALL are combined and issued as stapled securities in the Group. The units of the Trust and shares of ALL cannot be traded separately and can only be traded as stapled securities. Although there is no ownership interest between the Trust and ALL, the Trust is deemed to be the parent entity of the Group under Australian Accounting Standards.

1. Directors

The following persons have held office as Directors of the Manager and ALL during the period and up to the date of this report:

George Venardos (appointed as Chair 6 November 2016);
Roger Davis;
Randy Garfield (appointed 14 August 2017);
David Haslingden;
Simon Kelly (appointed 9 June 2017);
Don Morris AO;
Melanie Willis;
Neil Balnaves AO (retired as Chair and as a Director 6 November 2016); and
Deborah Thomas (retired 1 July 2017).

2. Principal activities

The Group's principal activity is to invest in and operate leisure and entertainment businesses in Australia, New Zealand and the United States of America. Other than the completion of the sale of the Health Clubs business in October and the completion of the sale of Marinas in August, there were no significant changes in the nature of the activities of the Group.

3. Distributions

The total distribution of income for the year ended 30 June 2017 will be 3.00 cents (30 June 2016: 12.50 cents) per stapled security paid by the Group. The reduction in distribution compared to the prior year reflects the adverse impact of the Dreamworld incident on Group's results as well as retention of earnings from US Entertainment Centres to fund the roll out of new centres. An interim distribution of 2.00 cents (31 December 2015: 7.00 cents) per stapled security was paid in February 2017. This comprised a distribution paid by the Trust of 2.00 cents (31 December 2015: 7.00 cents) and no dividend paid by the Company (31 December 2015: nil) per stapled security. A final distribution for the year ended 30 June 2017 of 1.00 cent (2016: 5.50 cents) per stapled security will be paid by the Trust in August 2017. A provision has not been recognised in the financial statements at 30 June 2017 as this distribution had not been declared at the reporting date.

4. Operating and financial review

Overview

During the year, the Group's operations comprised five operating divisions, being entertainment centres in the US and bowling and entertainment centres, theme parks, marinas and, until 25 October 2016, health clubs in Australia.

On 19 August 2016, the Group announced its decision to sell the health clubs business, with completion occurring on 25 October 2016. The consideration of \$260.0 million was received on 13 December 2016 and a gain of \$45.0 million before tax was recognised on disposal. The results of this business have been presented as a discontinued operation at 30 June 2017.

On 12 December 2016, the Group announced that it had entered into an agreement to dispose of its interest in the Marinas division. Completion, which was subject to landlord consents for the transfer of the head leases, occurred effective 14 August 2017. The associated assets and liabilities have been presented as held for sale and the results included as a discontinued operation at 30 June 2017.

Following the sale of the health clubs and marinas businesses, the strategic transition to a customer experience driven leisure and entertainment portfolio of assets is complete. The continuing businesses are:

- US Entertainment Centres, trading as "Main Event"
- Australian Bowling and Entertainment Centres, and
- Australian Theme Parks, including Dreamworld.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Group results

On 25 October 2016, an incident on the Thunder River Rapids ride at Dreamworld resulted in four fatalities at the theme park. The park and adjoining WhiteWater World were subsequently closed for 45 days. The parks were re-opened on 10 December 2016 following successful completion of a multi-tiered mechanical and operational safety review.

The impact of the incident, subsequent closure of the parks and progressive re-opening of rides has negatively impacted attendance and revenues at the theme parks. As a result, the Group has recognised an impairment of goodwill of \$0.8 million and a revaluation decrement to associated property, plant and equipment of \$91.7 million of which \$88.7 million has been recognised in the Income Statement and \$3.0 million has been recognised in reserves. Refer to Note 20 of the financial statements.

The performance of the Consolidated Group, as represented by the aggregated results of its operations for the year, was as follows:

	Segment revenues 2017 \$'000	Segment revenues 2016 \$'000	Segment EBITDA* 2017 \$'000	Segment EBITDA* 2016 \$'000
US Entertainment Centres	300,147	238,974	61,041	59,168
Australian Bowling and Entertainment Centres	127,655	130,494	15,204	18,224
Australian Theme Parks	70,934	107,582	(3,408)	34,725
Other	9	9	-	-
Continuing operations	498,745	477,059	72,837	112,117
Marinas	24,131	23,000	9,820	10,157
Health Clubs (disposed 25 October 2016)	62,677	187,555	9,772	30,114
Discontinued operations	86,808	210,555	19,592	40,271
Total	585,553	687,614	92,429	152,388
Corporate costs			(16,338)	(15,144)
Core EBITDA			76,091	137,244
Depreciation and amortisation*			(44,949)	(47,166)
Core EBIT			31,142	90,078
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, intangible asset amortisation, impairment of goodwill and property, plant and equipment, Marina selling costs and other one-off and restructuring expenses not included in divisional EBIT			(31,580)	(27,383)
Valuation gain - investment properties			-	2,059
Valuation loss - property, plant and equipment (relating to Dreamworld)			(88,747)	-
Loss on closure of Australian Bowling and Entertainment Centres			(470)	-
Loss on disposal of assets			(3,328)	(514)
Gain on sale and leaseback of US Entertainment Centres			-	1,672
Gain on disposal of health clubs			45,009	-
Net loss from derivative financial instruments			(421)	(170)
Dreamworld incident costs, net of insurance recoveries			(5,389)	-
Interest income			86	81
Business acquisition costs refunded			-	134
Borrowing costs			(12,191)	(14,874)
Net tax benefit/(expense)			3,332	(8,696)
(Loss)/profit for the year			(62,557)	42,387
Core earnings (Note 11 to the financial statements)			11,287	62,395

* Segment earnings before interest, tax, depreciation and amortisation (EBITDA) excludes pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, amortisation of health club brands and customer relationship intangible assets, impairment of property, plant and equipment and intangible assets, gain on sale of discontinued operations and associated selling costs, valuation gains/losses of investment property and property, plant and equipment, costs associated with the Dreamworld incident, loss on closure of Australian Bowling and Entertainment Centres and other one-off and restructuring expenses. IFRS depreciation represents depreciation recorded under Australian Accounting Standards effective 1 July 2005 on property, plant and equipment which were previously classified as investment properties. Management believes that adjusting the segment result for these items allows the Group to more effectively compare underlying performance against prior periods and between divisions. Segment EBITDA, which represents segment EBITDA before property costs, is another measure used by management to assess the trading performance of divisions excluding the impact of property costs.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Group results (continued)

The Group reported a loss of \$62.6 million for the year, down from a profit of \$42.4 million in the prior year, mainly because of the \$88.7 million valuation loss on the Dreamworld and WhiteWater World property noted above and the challenging post incident trading conditions at Dreamworld.

Other significant factors impacting the result are as follows:

- The Group incurred \$5.4 million costs relating to the Thunder River Rapids ride incident at Dreamworld, net of insurance recoveries during the year (2016: nil);
- There were \$4.0 million restructuring and one-off costs in the current year (2016: nil);
- Pre-opening expenses increased by \$5.3 million to \$13.9 million reflecting the roll out of new US Entertainment Centres during the year;
- The Group incurred a loss on disposal of assets of \$3.3 million (2016: \$0.5 million);
- There was a \$2.1 million valuation gain in investment properties and \$1.7 million gain on sale and leaseback of US Entertainment Centres in the prior year (current year: nil); and
- There was a \$0.5 million increase in onerous lease provisions in the current year compared to a \$2.2 million reduction in onerous lease provisions in the prior year.

However, this was partially offset by the following factors:

- The Group recognised a \$45.0 million gain on sale of the health clubs' business;
- Depreciation (including IFRS depreciation) and amortisation of property, plant and equipment and software decreased by \$9.7 million to \$55.0 million;
- Borrowing costs decreased by \$2.7 million to \$12.2 million; and
- There was a tax benefit of \$3.3 million in the current year compared to tax expense of \$8.7 million in the prior year.

The above factors also delivered a decrease in core earnings of \$51.1 million, to \$11.3 million. Core earnings (as defined in Note 11 to the financial statements) represents the earnings of the Group after adding back impairment of property, plant and equipment and intangible assets, amortisation of intangible assets, one-off realised items and unrealised items (such as unrealised gains or losses on derivatives and unrealised valuation gains and losses on investment properties and property, plant and equipment), straight lining of fixed rent increases, IFRS depreciation and onerous lease costs.

US Entertainment Centres

The performance of the US Entertainment Centres, in US dollars, is summarised as follows:

	2017 US\$'000	2016 US\$'000	Change %
Total revenue	226,240	174,683	29.5
EBRITDA (excluding pre-opening expenses)	74,977	63,996	17.2
Operating margin	33.1%	36.6%	
Property costs	(29,005)	(20,449)	41.8
EBITDA	45,972	43,547	5.6

During the year, total US dollar revenue grew by 29.5%, driven by full year impact of centres opened in FY16 and contribution from new centres opened in FY17, partially offset by a decline in constant centre revenue. EBITDA grew 5.6%, with margin declining by 460 basis points. Margins were impacted by the combination of the loss of "honeymoon" effect on FY16 non-constant centres, slower ramp up in the FY17 new centre openings, and the flow through effect of a decline in constant centre revenues, given the relatively fixed cost nature of the business. Initiatives are in place to improve constant centre revenue growth and lift the returns from the new centres opened in FY17.

Directors' report to stapled security holders

4. Operating and financial review (continued)

US Entertainment Centres (continued)

	Revenue 2017 US\$'000	Revenue 2016 US\$'000	Change %	EBRITDA 2017 US\$'000	EBRITDA 2016 US\$'000	Change %
Constant centres	141,561	145,732	(2.9)	60,615	64,525	(6.1)
Non-constant centres	60,492	28,951	108.9	24,902	13,310	87.1
New centres opened in FY17	24,183	-	-	7,525	-	-
Corporate and regional office expenses/sales and marketing	4	-	-	(18,065)	(13,839)	30.5
Total	226,240	174,683	29.5	74,977	63,996	17.2

Constant centres were impacted by several factors including intensified competition over the past few years with a significant increase in supply that put older centres (which have been underinvested) under pressure, strategic cannibalisation of existing centres as the business build-out clusters (which is positive for the long-term strategic strength of the business but negative to short-term reported performance). Constant centres revenue trends improved in the second half of FY17 with trends towards the end of the year being positive driven by the refocus of management, revitalisation of menus, refurbishment of older centres and marketing initiatives.

Overall, centres that were opened from FY12 to FY16 continue to deliver above the Group's target return of investment of 30%.

Ten new centres were opened during the year, bringing the total number of centres to 37 in 14 states. These new centres experienced slower ramp up due to limited or no prior presence, which were driven by several factors including the need to build brand awareness especially for centres without prominent highway visibility and accessibility. Nevertheless, the FY17 cohort performance is expected to improve over time underpinned by initiatives to drive higher market awareness in non-traditional locations.

Australian Bowling and Entertainment Centres

This business is transitioning from its traditional bowling heritage into multi-attraction entertainment destinations. The performance of the Australian Bowling and Entertainment Centres is summarised as follows:

	2017 \$'000	2016 \$'000	Change %
Total revenue	127,655	130,494	(2.2)
EBRITDA (excluding pre-opening expenses)	42,402	45,291	(6.4)
Operating margin	33.2%	34.7%	-
Property costs (excluding straight-line rent and onerous lease costs)	(27,198)	(27,067)	0.5
EBITDA	15,204	18,224	(16.6)

Revenue declined marginally due to the impact of the closure of Kingpin Crown for five months for refurbishment and closure of four AMF centres, offset by positive constant centre growth. The overall revenue decline dropped through to the bottom line, impacting EBITDA and the percentage margin which reduced from 34.7% to 33.2% in the year.

A further analysis of the Bowling and Entertainment Centres' performance is summarised as follows:

	Revenue 2017 \$'000	Revenue 2016 \$'000	Change %	EBRITDA 2017 \$'000	EBRITDA 2016 \$'000	Change %
Constant centres	101,183	97,905	3.3	49,152	47,561	3.3
Centres closed	3,056	5,766	(47.0)	998	2,098	(52.4)
New centres/acquisitions/renovations	23,400	26,823	(12.8)	10,935	13,606	(19.6)
Corporate and regional office expenses/sales and marketing	16	-	-	(18,683)	(17,974)	3.9
Total	127,655	130,494	(2.2)	42,402	45,291	(6.4)

The division recorded its eighth consecutive quarter of constant centre growth, which was achieved through a blend of volume, sales mix and price, with AMF, Kingpin and Playtime brands all contributing to growth. Despite the constant centre revenue growth, the overall performance continues to be weighed down by the lower returning AMF sites. The division continued its transition through the year with one new Playtime, two refurbishments and four non-core AMF centres closed.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Australian Bowling and Entertainment Centres (continued)

The investments made in rebranding legacy centres and opening new Kingpin and Playtime concepts is starting to improve returns. The returns on these new concepts are attractive. This business will start to see the financial returns improve from the FY17 trough over FY18 and beyond.

Australian Theme Parks

The division was adversely impacted by the Thunder River Rapids ride incident in October 2016 noted above. The performance of the Australian Theme Parks is summarised as follows:

	2017 \$'000	2016 \$'000	Change %
Total revenue	70,934	107,582	(34.1)
EBRITDA	(2,381)	35,947	(106.6)
Operating margin	(3.4%)	33.4%	
Property costs	(1,027)	(1,222)	(16.0)
EBITDA	(3,408)	34,725	(109.8)
Attendance	1,662,992	2,413,937	(31.1)
Per capita spend (\$)	42.65	44.57	(4.3)

Revenue declined by \$36.6 million, or 34.1% to \$70.9 million, with an EBITDA loss of \$3.4 million, down from a profit of \$34.7 million in the prior year.

In order to assist the recovery process, Dreamworld established a Community Advisory Committee consisting of various internal and external stakeholders such as Yugambeh, PCYC, Red Cross, government, business and local representatives. This committee continues to operate and provides advice to Dreamworld on all matters relating to the incident and the connection with the community. During the recovery period, the wellbeing of Dreamworld's staff has remained a key focus of management. A number of wellness and support programs were established to assist individual team members with resilience and coping with challenging environments.

Recovery of the theme parks is expected to take two years and is largely on track. Notwithstanding the extremely challenging post incident trading conditions, the LEGO store launched in January 2017 has been very successful, meeting its full year sales forecasts within its first six months. The store is accessible by both park visitors and the general public and has demonstrated the potential to develop more unique concepts using the land and facilities adjoining the park that do not necessarily require park entry.

The tiger island precinct is a world class exhibit and has received very positive feedback from visitors. Despite the challenging year, guest satisfaction and feedback remained positive and has continued to improve over the past three years. An events program has been implemented which has been well supported and is a key driver of the recovery through encouraging increased visitation.

Marinas

The performance of Marinas is summarised as follows:

	2017 \$'000	2016 \$'000	Change %
Total revenue	24,131	23,000	4.9
EBRITDA	12,724	12,569	1.2
Operating margin	52.7%	54.6%	
Property costs	(2,904)	(2,412)	20.4
EBITDA	9,820	10,157	(3.3)

Revenue from marinas increased by 4.9% to \$24.1 million, and EBITDA decreased by 3.3% to \$9.8 million. Marina revenue principally comprises the following:

	2017 \$'000	2016 \$'000	Change %
Berthing	14,203	13,203	7.6
Land	5,134	5,206	(1.4)
Fuel and other	4,794	4,591	4.4
Total	24,131	23,000	4.9

On 22 March 2016, the Group announced its decision to sell this division as part of the Group's refocus on entertainment. Completion of the sale occurred effective 14 August 2017.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Health Clubs

The performance of Health Clubs is summarised as follows:

	2017 ⁽¹⁾	2016	Change
	\$'000	\$'000	%
Total revenue	62,677	187,555	(66.6)
EBRITDA (excluding pre-opening expenses)	25,612	77,511	(67.0)
Operating margin	40.9%	41.3%	
Property costs (excluding straight-line rent and onerous lease costs)	(15,840)	(47,397)	(66.6)
EBITDA	9,772	30,114	(67.5)

(1) Current year results are for the period up to 25 October 2016.

On 19 August 2016, the Group announced its decision to sell the Health Clubs business, with completion occurring on 25 October 2016. Refer to Note 16 to the financial statements for further information.

Strategic focus

Following the sale of Health Clubs and Marinas the common theme across the Group's assets is the provision of leisure and entertainment experiences. However, each business has its own unique strategic position and objectives and all are at different stage of evolution with discrete opportunities for growth and unlocking value.

- The US Entertainment Centres' strategic goal is to become a leading customer experience-driven leisure and entertainment franchise in the US;
- The Australian Bowling and Entertainment Centres business will continue to evolve beyond its heritage as a bowling business into a multi-attraction entertainment experience; and
- The strategic goal for the Australian Theme Parks is to cement their position as "must visit" Gold Coast attractions and in the case of Dreamworld, to evolve the concept of a leisure and entertainment precinct centred around the current site.

(i) US Entertainment Centres

This business has expanded its number of centres rapidly over the last few years. It's now time to ensure there is the appropriate balance between operational performance and growth and that each new centre meets strict selection criteria. Going forward, management's target is for 5 to 10 new centre openings per annum. However, the constraint will be the strict application of selection criteria, so in any year there could be greater or fewer new centres than this range.

A quality index has been developed that, when applied back against prior centres, is a good predictor of success and this measurement has been built into the decision-making process. New beachhead centres will be considered in a very measured way, ensuring that the bulk of the rollout beyond FY18 will be directed towards building out clusters.

(ii) Australian Bowling and Entertainment Centres

The objective is to create a multi-attraction entertainment experience. The initial strategic threshold is to improve returns to in excess of benchmarks, and clear pathway to achieve that outcome over the next 3-4 years has been established. The focus is on transitioning legacy under-performing centres and investing in the new higher returning concepts, whilst building scale and operational efficiency. This outcome is constrained by pre-existing leases on legacy centres and the availability of new sites for new concept centres. Like the US Entertainment Centres, site location is paramount to success and site selection will not be compromised to expedite a centre number target.

(iii) Australian Theme Parks

The key focus is on driving attendance back to historic levels through a combination of "smart" capital investment and an event pipeline both of which provide opportunities to promote and target revisitation. Investments will be targeted to drive visitation and will be economically responsible, such as repurposing infrastructure that already exists. This will enable new experiences to be delivered without the need for large capital outlays.

The excess land that sits around the Dreamworld site is potentially of great value. The park occupies just over 50% of the land that is owned and a process of determining the best use of this land has commenced. This is likely to include a build out of tourist related adjacencies around the park itself. The plan may also involve an element of other commercial and residential uses.

Directors' report to stapled security holders

5. Significant changes in the state of affairs

As noted above, on 25 October 2016, the Group completed the disposal of its Health Clubs business and, effective 14 August 2017, the Group completed the disposal of its Marinas business.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Consolidated Group or ALL Group that occurred during the year not otherwise disclosed in this report or the financial statements.

6. Value of assets

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Value of total assets	974,213	1,157,632	592,695	649,324
Value of net assets	531,722	619,983	177,034	174,883

The value of the Group's and the ALL Group's assets is derived using the basis set out in Note 1 to the financial statements.

7. Interests in the Group

The movement in stapled securities of the Group during the year is set out below:

	Consolidated Group 2017	Consolidated Group 2016
Stapled securities on issue at the beginning of the year	463,039,616	442,322,106
Stapled securities issued under Distribution Reinvestment Plan	4,812,776	19,377,615
Stapled securities issued as part of ALL's employee security-based payments plans	1,300,892	1,339,895
Stapled securities on issue at the end of the year	469,153,284	463,039,616

8. Information on Directors

George Venardos
Chair

Appointed:

Ardent Leisure Management Limited – 22 September 2009

Ardent Leisure Limited – 22 September 2009

Age: 59

George Venardos was appointed Chairman of both the Company and the Manager in November 2016, having served as a Director since September 2009. George is a Chartered Accountant with more than 36 years' experience in finance, accounting, insurance and funds management.

His former positions include Group Chief Financial Officer of Insurance Australia Group and, for 10 years, Chairman of the Finance and Accounting Committee of the Insurance Council of Australia. George also held the position of Finance Director of Legal & General Group in Australia and was named Insto Magazine's CFO of the Year for 2003.

George holds a Bachelor of Commerce in Accounting, Finance and Systems from The University of New South Wales. He is also a Fellow of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Taxation Institute of Australia. He holds a Diploma in Corporate Management and is a Fellow of the Governance Institute of Australia.

George's other ASX listed non-executive director positions include IOOF Holdings Limited.

George is the Non-Executive Chair of the Group and a member of the Audit and Risk Committee (Char until 16 December 2016), Remuneration and Nomination Committee and Safety, Sustainability and Environment Committee.

Former listed directorships in the last three years:

BluGlass Limited (resigned 23 November 2016)

Interest in stapled securities:

215,839

Directors' report to stapled security holders

8. Information on Directors (continued)

Roger Davis
Director

Appointed:

Ardent Leisure Management Limited – 1 September 2009

Ardent Leisure Limited – 28 May 2008

Age: 65

Roger Davis was appointed a Director of the Company in 2008. Roger brings to the Board over 36 years of experience in banking and investment banking in Australia, the US and Japan. Roger is presently Chairman of the Bank of Queensland and a Consulting Director at Rothschild Australia Limited and holds non-executive directorships at Argo Investments Limited and AIG Australia Limited. Previously, he was Managing Director at Citigroup where he worked for over 20 years and more recently was Group Managing Director at ANZ Banking Group.

Roger's former directorships include the Chairmanship of Esanda, along with directorships of Aristocrat Leisure Limited, ANZ (New Zealand) Limited, Charter Hall Office Management Limited (the manager for Charter Hall Office REIT), The Trust Company Limited, TIO Limited and Citicorp Securities Inc. in the United States.

Roger holds a Bachelor of Economics (Hons) from The University of Sydney and a Master of Philosophy from Oxford.

Roger is Chair of the Safety, Sustainability and Environment Committee and is a member of the Audit and Risk Committee.

Former listed directorships in last three years:

Aristocrat Leisure Limited (resigned 27 February 2017)

Interest in stapled securities:

200,658

Randy Garfield
Director

Appointed:

Ardent Leisure Management Limited – 14 August 2017

Ardent Leisure Limited – 14 August 2017

Age: 65

Randy Garfield was appointed a Director of both the Manager and the Company in August 2017. During his 43 year travel industry career Mr Garfield spent over 30 years working in senior executive roles specialising in global marketing and sales, sponsorship development and sales operations.

As Executive Vice President of Worldwide Sales & Travel Operations at Walt Disney Parks & Resorts, he led the worldwide sales, convention services, resort contact centres and distribution marketing efforts for the Disneyland Resort, Walt Disney World Resort, Disneyland Paris, Hong Kong Disneyland Resort, Shanghai Disney Resort, Disney Cruise Line, Disney Vacation Club, Adventures by Disney, Aulani-a Disney Resort & Spa in Hawaii and Golden Oak. Throughout his 20+ year Disney career he also served as President of Walt Disney Travel Company, one of the largest tour operators in the USA.

Prior to joining Disney Randy also served as Vice President of Sales for Universal Studios Hollywood starting in 1986 where he helped generate record attendance and trail blazed the launch of Universal Studios Florida by crafting their pre-opening sales plan. He moved to Orlando in summer 1989 as Executive Vice President of Marketing and Sales/Chief Marketing Officer and led the business through its preopening and launch, and also served in a leadership role on the team which formulated the expansion plan including a second theme park as well as hotels and a massive retail, dining and entertainment complex.

Randy's current directorships include Deep Blue Communications, Rocky Mountaineer, US Travel Association and Destination Canada.

Previous Board roles include the US Travel Association (Chairman) and Brand USA. Randy is an inductee into the US Travel Hall of Leaders, and has been recognised three times as one of the most extraordinary sales and marketing minds by Hospitality Sales & Marketing Association International.

Former listed directorships in last three years:

None

Interest in stapled securities:

Nil

Directors' report to stapled security holders

8. Information on Directors (continued)

David Haslingden

Director

Appointed:

Ardent Leisure Management Limited – 6 July 2015

Ardent Leisure Limited – 6 July 2015

Age: 56

David Haslingden was appointed a Director of both the Company and the Manager in July 2015 and brings to the Board considerable international business experience, particularly in the US and Australia.

David is a director and major shareholder of Blue Ant Media Inc, a Canadian company that owns and operates production companies and cable networks in Canada and around the world.

Previously, David was Chairman and a non-executive director of Nine Entertainment Co. Holdings Limited, President and Chief Operating Officer of Fox Networks Group and Chief Executive of Fox International Channels. David holds a Bachelor of Arts and Bachelor of Laws from The University of Sydney and a Master of Law from the University of Cambridge.

David is Chair of the Remuneration and Nomination Committee and a member of the Safety, Sustainability and Environment Committee.

Former listed directorships in the last three years:

Nine Entertainment Co. Holdings Limited (resigned 1 March 2016)

Interest in stapled securities:

160,000

Simon Kelly

Managing Director and Chief Executive Officer

Appointed:

Ardent Leisure Management Limited – 9 June 2017

Ardent Leisure Limited – 9 June 2017

Age: 53

Simon Kelly was appointed the Managing Director and Chief Executive Officer of both the Manager and Company in June 2017. Simon brings over 30 years' experience in strategic, financial and general management in the entertainment, media, technology, FMCG and manufacturing sectors.

Simon's previous roles include Chief Operating Officer and Chief Financial Officer of Nine Entertainment Co. Holdings Limited, Chief Financial Officer and Director of Aristocrat Leisure Limited and a number of senior executive roles at Goodman Fielder Limited. More recently, he led the re-capitalisation of Virgin Australia Holdings Limited.

Prior directorships include ASX listed technology company, Intecq Limited, subscription video on demand start up "Stan", Sky News, ASX listed Clarius Group and literacy e-learning business Intrepica.

Simon holds a Bachelor of Arts (First Class, Honours) in Economics and Accounting from the University of Reading, is a Fellow of The Institute of Chartered Accountants in England and Wales, a member of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

Former listed directorships in the last three years:

Intecq Limited (resigned 16 December 2016)

Interest in stapled securities:

280,409

Directors' report to stapled security holders

8. Information on Directors (continued)

Don Morris AO

Director

Appointed:

Ardent Leisure Management Limited – 1 January 2012

Ardent Leisure Limited – 1 January 2012

Age: 72

Don Morris was appointed a Director of both the Company and the Manager in January 2012 and brings to the Board significant experience of advertising, marketing and promotion, particularly for tourism entities.

Don was a founding principal of Mojo Australia Advertising, creators of several iconic Australian advertising campaigns, including 'I Still Call Australia Home' for Qantas, the Paul Hogan 'Shrimp on the Barbie' for Australian tourism and 'C'mon Aussie C'mon' for World Series Cricket.

Don was Chair of both the Australian Tourist Commission and Tourism Queensland. He is a former director of Mojo MDA Group Limited, R M Williams Limited, Harvey World Travel Limited, PMP Limited, the Tourism & Transport Forum, Tourism Asset Holdings Limited, Hamilton Island Enterprises Limited and Port Douglas Reef Resorts Limited.

Don was appointed an Officer of the Order of Australia in 2002 for services to tourism, and holds a Bachelor of Economics from Monash University.

Don's current directorships include, Fantasea Cruising Pty Limited, Ausflag Limited and The Sport and Tourism Youth Foundation. He is Chair of Tourism Think Tank, and Chair of Pure Projects, the largest wholly Australian international project management group.

He was appointed an Adjunct Professor in Tourism by Griffith University in 2012. In 2013, he received an Honorary Degree of Doctor of the University, and was appointed Chair of the Advisory Board of the Griffith Institute for Tourism (GIFT).

Don is Chair of the Customer & Digital Committee and a member of the Remuneration and Nomination Committee.

Former listed directorships in the last three years:

None

Interest in stapled securities:

13,950

Melanie Willis

Director

Appointed:

Ardent Leisure Management Limited – 17 July 2015

Ardent Leisure Limited – 17 July 2015

Age: 52

Melanie Willis was appointed a Director of both the Company and the Manager in July 2015, bringing significant experience in finance, investment banking and professional services sectors. Melanie has had extensive exposure to leisure-related businesses and is currently a non-executive director and Chair of the Audit & Risk Committee at Mantra Group (an Australian hotel and resort marketer and operator with over 20,000 rooms) and a non-executive director of Pepper Group (a leading non-bank lender and third party servicer with operations in Australia, Europe and Asia). Melanie is also a non-executive director and Chair of the Audit & Risk Committee of Southern Cross Media Group Limited.

Previously, she was Chief Executive Officer of NRMA Investments where she was responsible for the tourism and leisure portfolio. She holds a Bachelor of Economics from The University of Western Australia, a Masters of Law (Tax) from The University of Melbourne and a Company Director Diploma from the Australian Institute of Company Directors. Melanie is also a member of Chief Executive Women.

Melanie is Chair of the Audit and Risk Committee (appointed Chair 16 December 2016).

Former listed directorships in the last three years:

Crowe Horwath Limited (resigned 30 October 2014)

Interest in stapled securities:

9,674

Directors' report to stapled security holders

8. Information on Directors (continued)

Neil Balnaves AO

Former Chair

Appointed:

Ardent Leisure Management Limited – 26 October 2001 (retired 6 November 2016)

Ardent Leisure Limited – 28 April 2003 (retired 6 November 2016)

Age: 73

Neil Balnaves was appointed as Chair of the Group in 2001. Neil has worked in the entertainment and media industries for over 50 years, previously holding the position of Executive Chairman of Southern Star Group Limited which he founded. Neil was appointed Chancellor of Charles Darwin University on 21 April 2016 and is also a Trustee Member of Bond University and has an Honorary Degree of Doctor of the University. Neil is a director of the Sydney Orthopaedic Research Institute and a member of the Advisory Council and Dean's Circle of The University of New South Wales (Faculty of Medicine) and in 2010 received an Honorary Doctorate of the University.

Neil is a Board member of the Art Gallery of South Australia, is a director of Technicolor Australia Limited and serves on the boards of numerous advisory and community organisations and is a Foundation Fellow of the Australian Institute of Company Directors. Neil's former directorships include Hanna-Barbera Australia, Reed Consolidated Industries, Hamlyn Group, Taft Hardie and Southern Cross Broadcasting.

In 2006, Neil established The Balnaves Foundation, a philanthropic fund that focuses on education, medicine and the arts. In 2010, Neil was appointed an Officer of the Order of Australia for his services to business and philanthropy.

Neil was a non-executive Chair of the Group and a member of both the Remuneration and Nomination Committee and the Audit and Risk Committee.

Former listed directorships in last three years:

None

Interest in stapled securities:

3,001,510

Deborah Thomas

Former Chief Executive Officer

Appointed:

Ardent Leisure Management Limited – 1 December 2013 (retired 1 July 2017)

Ardent Leisure Limited – 1 December 2013 (retired 1 July 2017)

Age: 61

Deborah Thomas was appointed a Director of both the Manager and the Company in December 2013. On 10 March 2015, Deborah was appointed as the Managing Director and Chief Executive Officer of the Group and commenced in this role on 7 April 2015.

One of Australia's most successful publishing executives, Deborah brought over 28 years of experience in media to the role of Chief Executive Officer. A former Editor-in-Chief of The Australian Women's Weekly, a position she held for almost a decade, Deborah has a deep understanding of product innovation, marketing, retail sales, advertising, digital development and communications.

As Editorial Director across Bauer Media's portfolio of Women's Lifestyle magazines and Custom Publishing, Deborah was responsible for editorial direction, customer relationships, corporate marketing, public affairs, events and new revenue streams. These initiatives included licensed products for major brands in partnership with retail stores across Australia and New Zealand. Deborah was a Director on the Board of Post ACP, the company's joint venture between Bauer Media and the Bangkok Post (Thailand), former Deputy Chair of the National Library of Australia and a founding member of the Taronga Conservation Foundation.

Former listed directorships in the last three years:

None

Interest in stapled securities:

42,269

Directors' report to stapled security holders

9. Meetings of Directors

The attendance at meetings of Directors of the Manager and ALL during the year is set out in the following table:

	Full meetings of Directors		Meetings of Committees							
			Audit and Risk		Remuneration and Nomination		Safety, Sustainability and Environment		Customer & Digital	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
George Venardos	13	13	5	5	3	3	7	7	N/A	N/A
Roger Davis	13	11	5	4	1	-	7	6	N/A	N/A
David Haslingden	13	11	N/A	N/A	3	3	7	7	N/A	N/A
Simon Kelly	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Don Morris AO	13	13	N/A	N/A	3	3	7	7	1	1
Melanie Willis	13	13	5	5	1	1	N/A	N/A	1	1
Neil Balnaves AO	4	4	1	1	1	1	N/A	N/A	N/A	N/A
Deborah Thomas	13	12	N/A	N/A	N/A	N/A	7	7	N/A	N/A

In addition to the above scheduled Board meetings, the Directors attended numerous additional meetings during the weeks immediately following the Dreamworld incident.

10. Company Secretary

The Group's Company Secretary is Bronwyn Weir. Bronwyn was appointed to the position of interim Company Secretary of the Manager and Company on 10 April 2017. Prior to being appointed interim Company Secretary, Bronwyn was the Assistant Company Secretary for the Group since 21 November 2014. Before joining the Group, Bronwyn was Assistant Company Secretary at the Royal Australasian College of Physicians.

Bronwyn holds a Bachelor of Commerce and Graduate Certificate in Commercial Law from Deakin University and a Certificate in Governance Practice and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Alan Shedden resigned from the position of Company Secretary effective from 10 April 2017.

11. Remuneration report

Introduction from the Chair of the Remuneration and Nomination Committee

The Directors of Ardent Leisure Group (the Company) are pleased to present security holders with the 2017 Remuneration Report. This report outlines the Company's approach to remuneration for its Directors and Executives.

The Remuneration and Nomination Committee (Committee), on behalf of the Board, oversees the Company's remuneration framework ensuring that it aligns the interests of our security holders and reflects the Company's commitment to deliver market competitive remuneration to attract, retain and motivate high quality directors and executives.

Changes to Key Management Personnel

There were significant changes in Directors and Executive Key Management Personnel (KMPs) during the year, including the appointment of Simon Kelly as Chief Executive Officer and Managing Director in place of Deborah Thomas who left the business on 1 July 2017 and the retirement of the CFO, Mr Richard Johnson, who returned to the UK. Mr Kelly has also joined the Board.

Mr Kelly brings extensive experience in senior executive roles across a number of leading major Australian listed businesses, including global business strategy and development, entertainment and gaming, business optimisation and shareholder value creation. Mr Kelly was previously Chief Operating Officer and Chief Financial Officer of Nine Entertainment Co. and has also held senior executive roles at Goodman Fielder, Aristocrat Leisure and Virgin Australia.

Mr Kelly's remuneration package was determined following a market review. Mr Kelly agreed to take an upfront grant of restricted equity which vests over time in lieu of a portion of his cash remuneration for the first three years of his tenure. In doing so, Mr Kelly's interests are immediately aligned with Security holders. The restricted equity begins to vest 6 months from appointment. Securities are held in trust and restricted from sale for three years. Mr Kelly's base salary is also fixed for three years, with no review until 2020.

Directors' report to stapled security holders

11. Remuneration report (continued)

Changes to Key Management Personnel (continued)

Ms Thomas was paid a termination benefit lower than the prima facie contractual entitlement in alignment with the Corporations Amendment (Improving Accountability on Termination Payments) Act. Though paid in FY18, the payment is included in this year's Remuneration Report for completeness and transparency as it was contractually committed during FY17. Entitlements under the Group's equity based, deferred short-term incentive (DSTI), which had not vested by 1 July 2017, were forfeited. Ms Thomas however, will retain the right to previously granted, but unvested entitlements, under the Group's equity based long-term incentive plan (LTIP), which remain subject to performance criteria. Unvested LTIP entitlements that are subject to tenure only will be forfeited. Full details of Ms Thomas' termination arrangements including a transitional consultancy arrangement in respect of the impending Coronial Inquiry into the Dreamworld tragedy, are included in Section (d).

The FY16 cash based short-term incentive (STI) payment of \$167,500 to Ms Thomas, was subsequently donated by her in full to the Red Cross after the Dreamworld tragedy.

Changes to Board of Directors

During the year, there were further changes to the Company's Board including the retirement of former Chairman, Neil Balnaves AO, who was succeeded by George Venardos and the appointment of Simon Kelly as Managing Director. When coupled with the addition of Mr Haslingden and Ms Willis to the Board in 2015, almost 50% of the Board has now changed in the last 3 years, including a change in Chairman. In line with the increasing importance of the US Entertainment Centres business in the United States the Committee also resolved to seek the appointment of two US-based American Non-Executive Directors to the Board. To this end, in the first quarter of this year, the Committee enlisted the assistance of Heidrick & Struggles, a leading global recruitment firm, to undertake an extensive search process. To date our search has resulted in the appointment of Randy Garfield to the Board effective 14 August 2017. Mr Garfield has had over 20 years' experience working in senior executive roles across the Walt Disney Company and in total more than four decades in the travel and tourism industries. A second uniquely qualified US based individual who has multi-site, broad leisure and entertainment experience, has also been identified and the Ardent Board is in advanced discussions with the proposed candidate to join the Board.

Remuneration structure

The Committee has overseen a number of changes to remuneration structures and reporting during the year:

- In prior years, we have reported STI and LTI awards in the year the award was paid / vested (typically in August following the end of the financial year in which the performance being rewarded occurred). With effect from FY17, we have reported STI and LTI awards in the year based on the amount accrued / earned in respect of the financial year in which the performance being rewarded occurred.
- From FY18, no grants of LTI will be made where vesting is subject only to completion of a specific period of tenure, except for grants made to the CEO and Executives of the US Entertainment Centres business based in the USA. These officers will continue to receive grants subject to service, consistent with prevailing market practice in the USA; and
- Since inception, the LTI plan has used an accounting (fair value) calculation to determine the number of performance rights to grant to executives. The Committee has since adopted a revised valuation methodology for LTI grants that uses the 5-day volume weighted average price (VWAP) valuation (market value) methodology. The change in approach aligns with market practice and expectations.

The Committee continues to review and amend executive remuneration arrangements as appropriate in line with good corporate governance. Any changes to executive remuneration arrangements for FY18 will be advised as part of the Notice of Meeting for the 2017 Annual General Meeting.

Remuneration outcomes in FY17

FY17 was a challenging year. However, the Group finished on a positive trajectory, with both Australian Theme Parks and US Entertainment Centres showing improving outcomes towards the end of FY17. Focus is now firmly on the execution of opportunities to deliver further value upside for security holders and optimising our allocation of scarce capital resources to secure returns above our cost of capital. During FY17 the Group completed the transition to becoming a global customer experience driven, leisure and entertainment business, following the profitable sale of Health Clubs and, post-reporting period, our Marina business and relocating the released capital, into the US Entertainment Centres business. Financial performance unfortunately, was impacted by the closure of Dreamworld / Whitewater World for 45 days and significantly reduced attendance on re-opening, the completion of the Health Clubs sale in October 2016 and the closure of Crown Kingpin for five months for refurbishment.

Directors' report to stapled security holders

11. Remuneration report (continued)

Remuneration outcomes in FY17 (continued)

As a result of the disappointing overall financial performance for the year, no short-term incentive payments were made to the retiring Managing Director, the CEO of the Australian Theme Parks or the CEO of the US Entertainment Centres business. Further, because every KMP's short-term incentive award is linked to specific financial metrics (equal to at least 60% of the total potential annual award), as none of these metrics were met in FY17, none of the current KMP received any portion of their short-term incentive award linked to financial metrics except for the ex-CEO – Health Clubs, who received his full short-term incentive award in recognition of his key contribution to the successful sale of the Health Clubs division in October 2016.

As regards vesting rights under the Company's current Long Term Incentive Plan, 45,377 performance rights vested this month in respect of grants made in FY14, FY15 and FY16. This represents 10.8% of the total number of performance rights that would have vested had all Total Shareholder Return (TSR) and Earnings Per Security (EPS) targets been hit.

Further information regarding the STI and LTI outcomes in respect of FY17 is set out in Section (c).

Other People initiatives

The Dreamworld tragedy has had a significant effect on many of our team members at the park. Immediately after the incident, significant resources were deployed to provide trauma counselling to those directly involved as well as focused employee assistance programmes to staff generally. The People and Culture team also designed a specific training programme around dealing with our guests once the park had reopened.

Since that time, a number of team members continue to be heavily involved in assisting with the pending Coronial Inquiry and recovery projects. To further assist them in this respect, the Company has also introduced an extensive 'Wellness Programme' specifically designed around trauma and resilience. This includes individual treatment plans, individualised intervention sessions where required and structured support group sessions more broadly. The Board remains committed to continuing this program for as long as required.

The Committee remains committed to refining and evolving the Group's remuneration arrangements to drive performance and align with security holder interests and general market practice and I look forward to updating you on our progress as we do so.

We trust that this simplified report provides security holders with clarity regarding our remuneration structures and outcomes.

David Haslingden

Chair, Remuneration and Nomination Committee

Directors' report to stapled security holders

11. Remuneration report (continued)

Contents

The remuneration report for the Group for the year ended 30 June 2017 is set out as follows:

- (a) Who is covered by this report
- (b) Remuneration Governance
- (c) Remuneration framework; structures, opportunities and performance outcomes
- (d) Remuneration outcomes for executives
- (e) Service agreements of Key Management Personnel
- (f) Non-Executive Director Fees
- (g) Additional Statutory Disclosures

The information provided in the Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

(a) Who is covered by this report

Key Management Personnel (KMP) are defined in AASB 124 Related Party Disclosures as those having authority and responsibility for planning, directing and controlling the activities of the Group. For the year ended 30 June 2017, the KMP for the Group comprise the following:

Position	Name
Executives	
Group Chief Executive Officer & Managing Director	Simon Kelly (commenced employment 9 June 2017)
Chief Financial Officer	Richard Johnson
CEO – Australian Bowling and Entertainment Centres	Nicole Noye
CEO – Health Clubs	Greg Oliver (ceased employment 25 October 2016)
CEO – US Entertainment Centres	Charlie Keegan
CEO – Australian Theme Parks	Craig Davidson
Former Group Chief Executive Officer	Deborah Thomas
Independent Directors	
Independent Chair (effective 6 November 2016)	George Venardos
Independent director	Roger Davis
Independent director	David Haslingden
Independent director	Don Morris AO
Independent director	Melanie Willis
Independent Chair (retired 6 November 2016)	Neil Balnaves AO

Mr Kelly was appointed Group Chief Executive Officer and Managing Director commencing 9 June 2017.

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Who is covered by this report (continued)

(i) *Changes to KMP effective after the end of the reporting period*

The following changes occurred after the end of the reporting period:

- Deborah Thomas ceased employment on 1 July 2017;
- Richard Johnson ceased employment on 14 July 2017;
- Geoff Richardson was appointed interim Chief Financial Officer commencing 3 July 2017; and
- Randy Garfield was appointed to the Board on 14 August 2017.

(b) Remuneration Governance

The Remuneration and Nomination Committee's purpose is to review, evaluate and make recommendations to the Board in relation to the following key remuneration areas:

- Remuneration policies for remuneration programs appropriate to the Group;
- The remuneration framework for directors and executives;
- Reviewing the performance of the Chief Executive Officer to pre determined criteria on an annual basis;
- Recruitment, retention and termination policies and procedures for executives;
- The appointment of any remuneration consultants providing advice to the Group on the scale and components of remuneration packages of KMP; and
- Reporting on executive remuneration.

The Committee seeks to align the interests of the executives with those of security holders through the use of performance hurdles to drive sustainable growth and by requiring executives to hold a minimum shareholding from vested LTIP awards equal to their annual pre-tax salary.

The Committee has adopted a process of benchmarking the executive KMP remuneration's using independently provided market data. The reports are provided directly to the Chair of the Committee to ensure they are prepared in a manner free from undue influence by the Group's executives.

During FY17, Ernst and Young provided the following remuneration-related services to the Group:

- Assistance with changes to the Group's executive reward framework, associated changes to plan documents and tax advice;
- Provision of market remuneration data and market practice information;
- Legal services regarding the implementation of an employee share trust;
- Legal and tax advice in relation to the incoming CEO's remuneration arrangements and equity awards; and
- Assistance with the Remuneration Report.

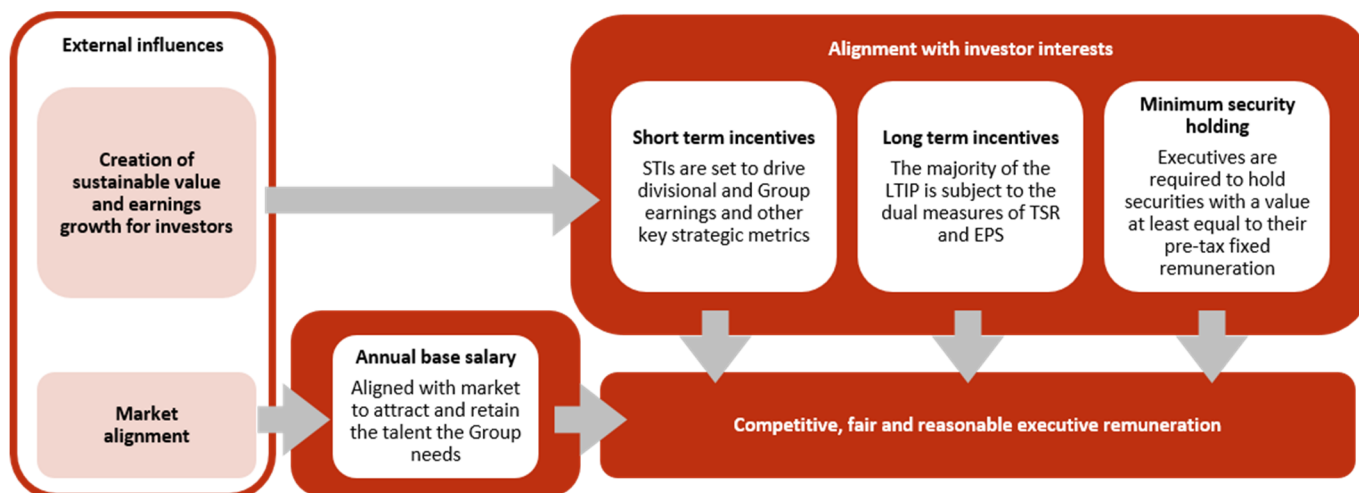
Ernst and Young was not requested to, and did not provide, a remuneration recommendation in relation to any of the above services

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes

The remuneration framework seeks to align executive reward with the achievement of the Group's strategic objectives:



The minimum shareholding requirement was introduced from the FY17 long-term incentive grant onwards. Further details of executive security holdings are included in Section (g).

(i) Remuneration structure

The executive remuneration framework that was in place during the course of the year ended 30 June 2017 has three components:

	FY17	FY18	FY19	FY20
Annual base salary A mix of cash salary, employer superannuation contributions and non-financial benefits	Received during the financial year			
Short term incentive The STI is a performance bonus set against financial and personal key performance indicators	One year performance period	100% cash		
Long term incentive The whole grant is subject to a return on equity performance gateway. Tranches then vest: 1/3 rd subject to continued service 1/3 rd subject to a compound EPS growth performance hurdle 1/3 rd subject to a total shareholder return performance hurdle	Tenure tranche: Three year service period (1/3 rd of the total grant) Compound EPS growth performance hurdle (1/3 rd of the total grant) Total shareholder return performance hurdle (1/3 rd of the total grant)	1/3 rd vesting after two years 1/3 rd vesting after three years 1/3 rd vesting after four years	Tranche 1 vesting Tranche 2 vesting Tranche 3 vesting	Full vesting

From FY18 the LTIP tranche subject to tenure will not be used for grants to executives based in Australia (LTIP grants made to the CEO and Executive of the US Entertainment Centres business based in the USA will continue to have a tranche subject to service in line with prevalent market practice in the USA). Instead, the LTIP issuance as at the commencement of FY18 will be granted to executives based in Australia with 50% subject to a relative TSR measure and 50% subject to an EPS growth measure.

Directors' report to stapled security holders

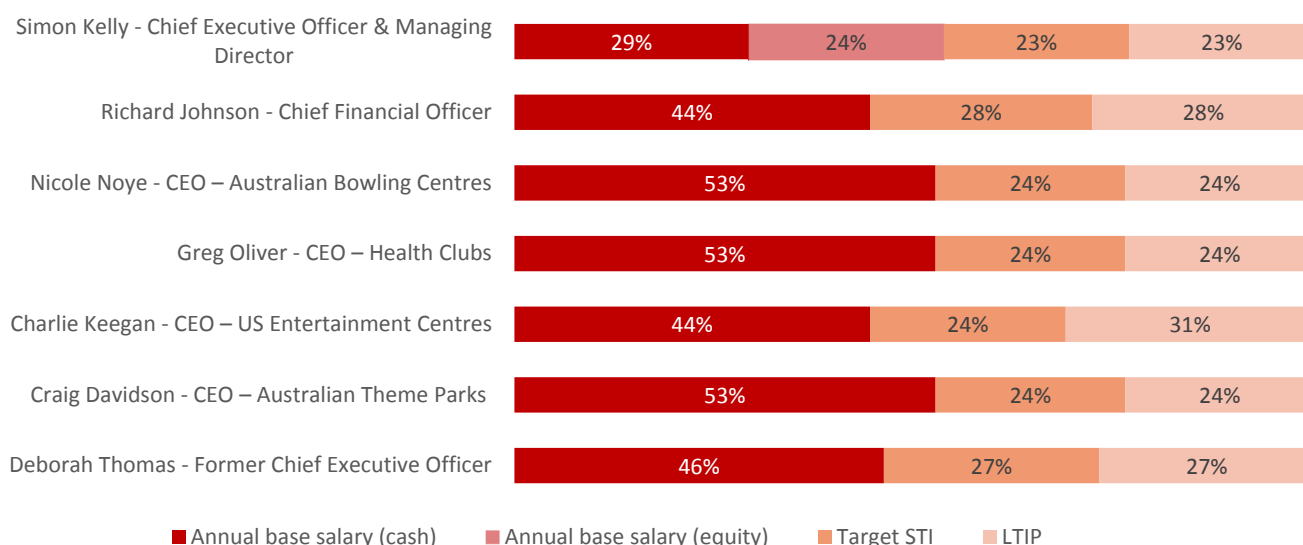
11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes (continued)

(iii) Remuneration mix – FY17

The relative target proportions of annual base salary and performance incentives for executive KMP are set out below.

Note that Mr Kelly's annual base salary is delivered approximately 55% in cash and 45% in equity (determined based on a notional equity value as agreed at grant). The final value of the equity grant will vary with fluctuations in the security price and cannot be accessed until 2020. Mr Kelly's remuneration quantum opportunity will not be reviewed until 2020. Mr Kelly did not receive STI or LTIP awards in respect of FY17. However, Mr Kelly's on-target remuneration mix for FY18 is included below for completeness.



(iii) Remuneration elements

Annual base salary

Annual base salary includes cash salary, employer superannuation contributions and non-financial benefits and for Mr Kelly, a portion is delivered in equity. Annual base salary may be reviewed annually to ensure executive pay is competitive with the market. There are no guaranteed base pay increases in any of the executive KMP contracts. Annual base salary is also reviewed on promotion.

The market for remuneration reviews typically considers companies of similar size, by market capitalisation and revenue for corporate roles, and ASX 200 Consumer Discretionary companies for Australian business unit roles. Consideration is given to US-listed companies with similar revenue as US Entertainment Centres within similar industries for the CEO – US Entertainment Centres.

Remuneration packages for current KMP

The remuneration packages of current KMP was as follows for the year ended 30 June 2017:

	Fixed		At risk		Total target remuneration
	Annual base salary (cash)	Annual base salary (equity)	Target STI ⁽¹⁾	Target LTIP grant value	
Simon Kelly	\$600,000	\$500,000 ⁽²⁾	\$475,000	\$475,000	\$2,050,000
Nicole Noye	\$420,000	-	\$189,000	\$189,000	\$798,000
Charlie Keegan	US\$512,500	-	US\$281,875	US\$358,750	US\$1,153,125
Craig Davidson	\$384,375	-	\$172,969	\$172,969	\$730,313

(1) Excludes Stretch STI

(2) Mr Kelly agreed to take an upfront grant of restricted equity which vests over time in lieu of a portion of his cash remuneration for the first three years of his tenure. The restricted equity begins to vest 6 months from appointment. Securities are held in trust and restricted from sale for three years. Mr Kelly's base salary is also fixed for three years, with no review until 2020. The number of rights was determined using the 5-day VWAP to 7 April 2017 of \$1.876562, as agreed per the terms of Mr Kelly's appointment. Refer Section (g)(vi) of this report for further details.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes (continued)

(iii) Remuneration elements (continued)

Short-term incentive

Who can participate?	All executives are able to participate in the STI; however participation and payment of any STI remains at the Company's absolute discretion
When is the STI paid?	If performance is sufficient, STI awards are payable in cash by 30 September each year.
What are the individual opportunities?	<p>Target awards for executives range between 43% and 63% of an executive's annual base salary (including superannuation) dependent upon the executive's position.</p> <p>Maximum awards range between 69% and 100% of an executive's annual base salary (including superannuation).</p>
What performance measures are used?	<p>Key performance indicators (KPI's) are split into financial and personal measure categories:</p> <p>Financial KPIs</p> <p>Earnings and revenue targets representing between 40% and 60% of an executive's STI opportunity.</p> <p>For executives who act in Group-wide roles, the financial KPIs are based on Group earnings and revenue related measures. Divisional earnings and revenue measures also apply to those executives who occupy divisional roles.</p> <p>Personal KPIs</p> <p>Personal KPIs (representing the remaining 40% to 60% of an executive's STI opportunity) are [typically] not financial in nature and are set to support execution of improvements and initiatives in such functions as:</p> <ul style="list-style-type: none"> • health, safety and engineering operations; • risk and insurance management; • compliance; • relationship management; • customer and community engagement; • employee engagement; • business development; and • other strategic initiatives. <p>Each individual typically has 5-7 personal KPIs which each represent 5% - 10% of the STI opportunity.</p>
What are stretch STI awards?	<p>KMP are eligible to receive a stretch STI award for out-performance of financial KPIs.</p> <p>The stretch STI opportunity allows KMP to receive up to 160% of their target STI if they exceed financial key performance indicators by 120%.</p>

Deferred Short Term Incentive Plan (DSTI)

Historically, a percentage of the STI outcome an executive earned was deferred and settled in rights to acquire fully paid Group stapled securities for nil exercise price. These rights were issued under the terms of the Group's Deferred Short Term Incentive Plan rules and vested in two equal tranches at 12 months and 24 months after the grant date.

As part of a change in overall remuneration mix, from FY17 onwards executives were no longer eligible to participate in the DSTI. Two outstanding tranches (tranche 2 of the 2015 grant and tranche 1 of the 2016 grant) vested in FY17.

The delivery of the stretch STI payment was previously made under the DSTI plan. The second tranche of the final DSTI grant made to KMP (in FY16) will vest in FY18. From FY17 onwards stretch STI payments will be made in cash.

Details of the outstanding grants and the number of rights that vested are set out in Section (g). Additional details regarding the terms of the DSTI can be found in the FY16 Remuneration Report.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes (continued)

(iv) STI outcomes in respect of FY17 performance

The percentage of STI that was awarded to the executives and the percentage that was forfeited because the executive did not meet the performance criteria are set out below, in respect of FY17 and FY16 performance. These are presented on an accruals basis. FY16 outcomes have been re-stated for the change from a cash to an accruals basis. Actual payments are made to individuals following the release of audited results.

Name	Financial year	STI Awarded	STI Forfeited	STI outcome
Simon Kelly	FY17	-	-	-
	FY16	N/A	N/A	N/A
Richard Johnson	FY17	40%	60%	\$147,826
	FY16	93%	7%	\$275,341
Nicole Noye	FY17	40%	60%	\$75,600
	FY16	95%	5%	\$132,636
Greg Oliver	FY17	100%	0%	\$291,181
	FY16	98%	2%	\$189,508
Charlie Keegan	FY17	0%	100%	-
	FY16	86%	14%	US\$150,308
Craig Davidson	FY17	0%	100%	-
	FY16	89%	11%	\$117,193
Deborah Thomas	FY17	0%	100%	-
	FY16	100%	0%	\$167,500 ⁽¹⁾

(1) The FY16 cash-based Short-Term Incentive (STI) payment of \$167,500 to Ms Thomas was subsequently donated by her in full to the Red Cross after the Dreamworld tragedy.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes (continued)

(v) Long-term incentive Plan (LTIP)

<i>Who can participate?</i>	All executives are eligible for participation at the discretion of the Board.										
<i>What are the individual opportunities?</i>	The LTIP awards range between 45% and 79% of an executive's annual base salary (including superannuation) dependent upon the executive's role.										
<i>What types of securities are issued?</i>	The LTIP is typically granted in the form of performance rights that can be converted into fully paid securities once vested. Performance rights do not carry any voting or distribution entitlements.										
<i>What restrictions are there on the securities?</i>	Performance rights are non-transferable. Executives may not hedge any portion of their unvested awards.										
<i>Is there a performance gateway?</i>	From FY17, for any rights to vest under the LTIP an initial gateway performance hurdle must be met or exceeded. The gateway hurdle is a minimum return on equity target equal to or greater than 2.5X the 10 year bond yield rate for Australian Government bonds.										
<i>When can the performance rights vest?</i>	<p>Once the performance gateway is achieved the performance rights can vest as follows:</p> <ul style="list-style-type: none"> • 1/3rd are subject to a service condition of three years (note that from FY18, the tenure component will no longer apply to Australian executives); • 1/3rd are subject to a TSR performance hurdle tested equally two, three and four years following the grant date; and • 1/3rd are subject to a compound EPS performance hurdle tested equally two, three and four years following the grant date. 										
<i>How are non-Australian residents treated?</i>	For employees who are not Australian residents, the LTIP has previously granted equivalent awards in cash. Administrative arrangements have now been made to issue equity awards and not cash awards to non-Australian resident executives. All awards, whether equity or cash, are subject to the same performance and tenure hurdles.										
<i>What is TSR and how is TSR measured?</i>	<p>TSR is the total return an investor would receive over a set period of time assuming that all distributions were reinvested in the entities securities. The TSR definition takes account of both capital growth and distributions.</p> <p>TSR is measured against the S&P/ASX 200 Industrials Index over the performance period. TSR performance is measured by an independent third party. The vesting schedule for the portion of the grant subject to TSR performance is as follows:</p> <table> <tr> <th>TSR of the Group relative to TSRs of comparators</th><th>Proportion of performance rights vesting</th></tr> <tr> <td>Below 51st percentile</td><td>0%</td></tr> <tr> <td>51st percentile</td><td>50%</td></tr> <tr> <td>Between 51st percentile and 75th percentile</td><td>Straight-line vesting between 50% and 100%</td></tr> <tr> <td>75th percentile or higher</td><td>100%</td></tr> </table>	TSR of the Group relative to TSRs of comparators	Proportion of performance rights vesting	Below 51st percentile	0%	51st percentile	50%	Between 51st percentile and 75th percentile	Straight-line vesting between 50% and 100%	75th percentile or higher	100%
TSR of the Group relative to TSRs of comparators	Proportion of performance rights vesting										
Below 51st percentile	0%										
51st percentile	50%										
Between 51st percentile and 75th percentile	Straight-line vesting between 50% and 100%										
75th percentile or higher	100%										
<i>What is EPS and how is EPS measured?</i>	<p>The EPS hurdle refers to the compound annual growth of earnings per security over the vesting period.</p> <p>The vesting schedule for the portion of the grant subject to EPS performance is as follows:</p> <table> <tr> <th>Compound EPS growth in the period</th><th>Proportion of performance rights vesting</th></tr> <tr> <td>Below 5%</td><td>0%</td></tr> <tr> <td>5%</td><td>50%</td></tr> <tr> <td>Between 5% and 10%</td><td>Straight-line vesting between 50% and 100%</td></tr> <tr> <td>10% or higher</td><td>100%</td></tr> </table>	Compound EPS growth in the period	Proportion of performance rights vesting	Below 5%	0%	5%	50%	Between 5% and 10%	Straight-line vesting between 50% and 100%	10% or higher	100%
Compound EPS growth in the period	Proportion of performance rights vesting										
Below 5%	0%										
5%	50%										
Between 5% and 10%	Straight-line vesting between 50% and 100%										
10% or higher	100%										

(vi) LTIP outcomes

Three LTIP tranches (issued in FY14, FY15 and FY16) are due to vest in August 2017, subject to performance. 45,377 performance rights out of a total of 418,435 that were subject to vesting will vest and a corresponding number of stapled securities will be issued to Australian employees under the terms of the LTIP.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Remuneration framework: structures, opportunities and performance outcomes (continued)

(vi) LTIP outcomes (continued)

Details of the TSR and EPS performance are set out in the tables below:

Tranche	Performance period	TSR performance rights			EPS performance rights	
		Group TSR performance	Percentile	Vesting percentage	Group CAGR EPS	Vesting percentage
T3-2013	1 July 2013 – 30 June 2017 (4 years)	48.31%	53.26	54.70%	N/A	N/A
T2-2014	1 July 2014 – 30 June 2017 (3 years)	(13.93%)	37.30	Nil	(44.88%)	Nil
T1-2015	1 July 2015 – 30 June 2017 (2 years)	2.05%	43.89	Nil	(56.79%)	Nil

Ardent previously disclosed details of vested awards in the year they were paid (for example in the FY16 Remuneration Report, LTIP awards that were measured on performance up to 30 June 2015 and vested in August 2015 were reported as remuneration in FY16). From this year, LTIP outcomes reported are aligned to the performance period ending in the current financial year to more closely align reporting of LTIP outcomes with the Group's financial performance for the relevant year. For awards that were due to vest in August 2016 and have not yet been disclosed, the performance outcomes were as follows:

Tranche	Performance Period	Group TSR performance	Quartile Ranking	Vesting Percentage
T3 2012	1 July 2012 to 30 June 2016	105.30%	73.26	96.5%
T2 2013	1 July 2013 to 30 June 2016	46.45%	61.05	72.1%
T1 2014	1 July 2014 to 30 June 2016	(15.01%)	38.93	Nil

The CAGR EPS for the testing period (1 July 2014 to 30 June 2016) was approximately 2.39% and as such none of the EPS tested rights vested under the 2014 grant.

Details of these awards are included in Section (g)

Directors' report to stapled security holders

11. Remuneration report (continued)

(d) Remuneration outcomes for executives

This section sets out the actual remuneration outcomes realised by executives and the statutory remuneration disclosures for FY17 and FY16 as well as a summary of the Group's business performance over the last five years.

(i) Actual remuneration outcomes

The table below sets out the total realised pay in respect of the years ended 30 June 2017 and 30 June 2016. The deferred equity and LTIP vested elements of realised pay relate to both individual and the Group's performance up to 30 June 2017. The information below is different to the statutory required information later in this section, which includes the accounting value of equity expensed in the year, rather than the vested value shown in this table.

Name	Financial year	Base salary (incl Super) paid	STI on an accrued basis		LTIP vested ⁽¹⁾	Termination payment	Total realised pay in respect of the financial year
			Cash	Deferred equity vested ⁽¹⁾			
Simon Kelly ⁽³⁾	FY17	\$54,634	-	-	-	-	\$54,634
	FY16	N/A	N/A	N/A	N/A	N/A	N/A
Richard Johnson ⁽⁴⁾	FY17	\$666,305	\$147,826	\$95,521	\$67,657	-	\$977,309
	FY16	\$516,305	\$275,341	\$71,307	\$238,078	-	\$1,101,031
Nicole Noye	FY17	\$420,026	\$75,600	\$108,361	-	-	\$603,987
	FY16	\$400,000	\$132,636	\$54,388	-	-	\$587,024
Greg Oliver ⁽⁵⁾	FY17	\$166,603	\$291,181 ⁽⁶⁾	\$170,174	\$222,842	-	\$850,800
	FY16	\$568,449	\$189,508	\$79,236	\$82,088	-	\$919,281
Charlie Keegan	FY17	US\$512,500	-	US\$147,311	US\$13,577	-	US\$673,388
	FY16	US\$500,000	US\$150,308	US\$112,799	US\$40,231	-	US\$803,338
Craig Davidson	FY17	\$384,376	-	\$99,091	-	-	\$483,467
	FY16	\$375,000	\$117,193	\$76,418	-	-	\$568,611
Deborah Thomas ⁽²⁾	FY17	\$757,516	-	\$86,989	-	\$731,291	\$1,575,796
	FY16	\$670,000	\$167,500 ⁽⁷⁾	\$18,830	-	-	\$856,330

(1) The vesting of Deferred equity and LTIP performance rights into fully paid stapled securities reflect previous performance of executives and of the Group up to 30 June 2017. Securities to be issued in respect of the financial year are valued at \$1.88 per security, representing the closing price at 30 June 2017 (2016: \$1.88 per security, representing the closing price at 30 June 2016). Amounts expressed in US dollars are converted from Australian dollars at an exchange rate of 0.7692, representing the closing rate at 30 June 2017 (2016: 0.7426, representing the closing rate at 30 June 2016)

(2) Ceased employment 1 July 2017. Ms Thomas was paid a termination benefit of \$731,291 equal to 12 months average base remuneration on 1 July 2017. This amount was lower than the prima facie contractual entitlement in alignment with the Corporations Amendment (Improving Accountability on Termination Payments) Act. Though paid in FY18, the payment is included in this remuneration outcomes table for completeness and transparency as it was contractually committed during FY17. Entitlements under the Group's DSTI which had not vested by 1 July 2017 were forfeited. Ms Thomas will retain the right to previously granted but unvested entitlements under the Group's LTI plan which remain subject to performance criteria. Vesting of those entitlements will remain subject to Ardent achieving TSR and EPS growth targets as specified in the LTI plan. Unvested LTIP entitlements that are subject to tenure were forfeited. Ms Thomas and Ardent have entered into a transitional consultancy arrangement, whereby Ms Thomas will provide ongoing support to the CEO, senior management and Board of Ardent in respect of the pending Coronal Inquiry into the Dreamworld tragedy. Ms Thomas will be paid a consultancy fee of \$3,000 per day, for each day reasonably expended in relation to the Coronal Inquiry. The Board has determined this arrangement is appropriate based on external professional advice and market benchmarking. The consultancy agreement can be terminated by either party with one month's notice following the conclusion of the Coronal Inquiry.

(3) Commenced employment 9 June 2017. Mr Simon Kelly's annual base salary relates to the period employed from 9 June 2017 and an additional 5 days for work product provided to the Group prior to commencement of employment calculated based on Mr Kelly's notional annual base salary

(4) Ceased employment 14 July 2017.

(5) Ceased employment on the sale of Health Clubs on 25 October 2016. During the prior year, Greg Oliver was paid \$78,449 in lieu of unused annual leave from previous years.

(6) Sale completion bonus. STI paid on completion of the sale of Health Clubs in October 2016 of \$220,500 plus prorated STI paid for 117 days of \$70,681.

(7) The FY16 cash-based Short-Term Incentive (STI) payment of \$167,500 to Ms Thomas was subsequently donated by her in full to the Red Cross after the Dreamworld tragedy.

Directors' report to stapled security holders

11. Remuneration report (continued)

(d) Remuneration outcomes for executives (continued)

(iii) Details of remuneration – Executive Key Management Personnel

Details of the remuneration of Executive KMP of the Group for FY17 and FY16 are set out in the tables below. The tables set out the total cash benefits paid to the executives in the relevant period and, under the heading "Security-based payments", shows a component of the fair value of the performance rights. The fair value of the performance rights is recognised over the vesting period as an employee benefit expense. Due to a change in reporting methodology, FY16 disclosures are restated on an accruals basis and therefore some figures may differ from amounts disclosed in the FY16 Remuneration Report.

		Short term benefits		Post-employment benefits	Other long term benefits	Total cash payment	Security-based payments	Total	Security-based payment % of total
		Salary	Cash bonus	Annual leave ⁽¹⁾	Super-annuation				
		\$	\$	\$	\$	\$	\$	\$	
Simon Kelly ⁽²⁾	FY17	51,860	-	4,038	2,774	-	58,672	31,798	90,470 35.15%
Chief Executive Officer and Managing Director	FY16	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Johnson ⁽³⁾	FY17	631,305	147,826	(27,884)	35,000	-	786,247	646,231	1,432,478 45.11%
Chief Financial Officer	FY16	496,996	275,341	23,389	19,308	-	815,034	246,589	1,061,623 23.23%
Nicole Noye	FY17	400,410	75,600	(6,197)	19,616	-	489,429	182,706	672,135 27.18%
CEO – Australian Bowling and Entertainment Centres	FY16	380,692	132,636	17,446	19,308	-	550,082	87,285	637,367 13.69%
Greg Oliver ⁽⁵⁾	FY17	156,795	291,181	8,523	9,808	-	466,307	285,217	751,524 37.95%
CEO – Health Clubs	FY16	549,141	189,508	(44,800)	19,308	-	713,157	154,171	867,328 17.78%
Charlie Keegan ⁽⁴⁾	FY17	681,481	-	14,216	-	-	695,697	438,891	1,134,588 38.68%
CEO – US Entertainment Centres	FY16	687,570	206,694	9,520	-	-	903,784	320,858	1,224,642 26.20%
Craig Davidson	FY17	364,760	-	(17,674)	19,616	-	366,702	180,480	547,182 32.98%
CEO – Australian Theme Parks	FY16	355,692	117,193	297	19,308	-	492,490	125,998	618,488 20.37%
Deborah Thomas	FY17	722,516	-	18,107	35,000	731,291 ⁽⁷⁾	1,506,914	512,335	2,019,249 25.37%
Former Chief Executive Officer	FY16	650,692	167,500 ⁽⁶⁾	35,085	19,308	-	872,585	101,845	974,430 10.45%
	FY17	3,009,127	514,607	(6,871)	121,814	731,291	4,369,968	2,277,658	6,647,626 34.26%
	FY16	3,120,783	1,088,872	40,937	96,540	-	4,347,132	1,036,746	5,383,878 19.26%

(1) Annual leave amounts represent the increase/(decrease) in the liability for accumulated annual leave during the year.

(2) Commenced employment 9 June 2017. Mr Simon Kelly's annual base salary relates to the period employed from 9 June 2017 and an additional 5 days for work product provided to the Group prior to commencement of employment.

(3) Ceased employment 14 July 2017. During FY16, Richard Johnson was awarded a \$75,000 increase of annual base salary which was deferred to 1 July 2016, as disclosed in the FY16 Remuneration Report. This amount has been included in the annual base salary disclosed above.

(4) Remuneration is converted from US dollars to Australian dollars at the average exchange rate of 0.7542 (2016: 0.7272) and includes both cash settled and equity settled awards.

(5) Ceased employment on the sale of Health Clubs on 25 October 2016. During the prior year, Greg Oliver was paid \$78,449 in lieu of unused annual leave from previous years.

(6) The FY16 cash-based Short-Term Incentive (STI) payment of \$167,500 to Ms Thomas was subsequently donated by her in full to the Red Cross after the Dreamworld tragedy.

(7) Ceased employment 1 July 2017. Ms Thomas was paid a termination benefit of \$731,291 equal to 12 months average base remuneration on 1 July 2017. This amount was lower than the prima facie contractual entitlement in alignment with the Corporations Amendment (Improving Accountability on Termination Payments) Act. Though paid in FY18, the payment is included in this table for completeness and transparency as it was contractually committed during FY17. Entitlements under the Group's DSTI which had not vested by 1 July 2017 were forfeited. Ms Thomas will retain the right to previously granted but unvested entitlements under the Group's LTI plan which remain subject to performance criteria. Vesting of those entitlements will remain subject to Ardent achieving TSR and EPS growth targets as specified in the LTI plan. Unvested LTIP entitlements that are subject to tenure will be forfeited. Ms Thomas and Ardent have entered into a transitional consultancy arrangement, whereby Ms Thomas will provide ongoing support to the CEO, senior management and Board of Ardent in respect of the pending Coronial Inquiry into the Dreamworld tragedy. Ms Thomas will be paid a consultancy fee of \$3,000 per day, for each day reasonably expended in relation to the Coronial Inquiry. The Board has determined this arrangement is appropriate based on external professional advice and market benchmarking. The consultancy agreement can be terminated by either party with one month's notice following the conclusion of the Coronial Inquiry.

Directors' report to stapled security holders

11. Remuneration report (continued)

(d) Remuneration outcomes for executives (continued)

(ii) Details of remuneration – Executive Key Management Personnel (continued)

Note that the Income Statement expense includes accelerated expensing of LTIP and DSTI for Ms Deborah Thomas and Mr Richard Johnson which is due to vest in future periods as no future service obligations remain and these entitlements were contracted prior to 30 June 2017.

Security-based payments included in the tables above reflect the amounts in the Income Statements of the Group. For performance rights issued to executives, the amount is based on the fair value of the equity instruments at the date of the grant rather than at vesting or reporting date for those instruments not yet vested. If the fair value recorded in the Income Statement was based on the movement in the fair value of the instruments between reporting dates, the amount included in executive compensation would be reduced by \$423,418 to \$1,854,240 (FY16: reduced by \$9,780 to \$1,239,468)

(iii) Summary of performance

Between 30 June 2013 and 30 June 2016 (prior to the Dreamworld incident), core earnings per security of the Group had increased by 5.0%. Over the last five years, the market capitalisation of the Group has increased by 29.3%. The table below compares the Group's security price (as at 30 June each year), core earnings per security, distribution/dividend per security and market capitalisation over the past five years. Further details of TSR and EPS performance over the relevant vesting periods for the LTIP are included later in this section.

	2017	2016	2015	2014	2013
Security price as at 30 June	\$1.880	\$1.880	\$2.170	\$2.710	\$1.715
Core earnings per security (cents)	2.41	13.80	12.92	14.40	13.14
Distribution/dividend per security (cents)	3.00	12.50	12.50	13.00	12.00
Market capitalisation as at 30 June (\$ million)	\$882.0	\$870.5	\$959.8	\$1097.7	\$682.2

(e) Service agreements of Key Management Personnel

Remuneration and other terms of employment for KMP are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Executive	Term	Termination
Simon Kelly Chief Executive Officer and Managing Director	No fixed term.	Employment shall continue with the Group unless the executive gives the Group six months' notice in writing, or the Group gives the executive 12 months' notice in writing. The Group may also make a payment in lieu of notice, in which case Mr Kelly will also be entitled to receive an additional severance payment of \$350,000 prorated commensurate with the notice period being paid out.
Richard Johnson Chief Financial Officer	No fixed term.	Employment continued with the Group unless the executive gave the Group six months' notice in writing, or the Group gave the executive 12 months' notice in writing.
Nicole Noye CEO – Australian Bowling and Entertainment Centres	No fixed term.	Employment shall continue with the Group unless either party gives three months' notice in writing.
Greg Oliver CEO – Health Clubs	No fixed term.	Employment shall continue with the Group unless the executive gives the Group three months' notice in writing, or the Group gives the executive six months' notice in writing.
Charlie Keegan CEO – US Entertainment Centres	No fixed term. Automatic renewal on a year by year basis.	During the contract term, employment shall continue with the Group unless the executive gives three months' notice in writing. An early termination payment equal to 12 months' salary is payable to the executive if the Group terminates the executive during the contract, other than for gross misconduct.
Craig Davidson CEO – Australian Theme Parks	No fixed term.	Employment shall continue with the Group unless either party gives three months' notice in writing.
Deborah Thomas Former Chief Executive Officer	No fixed term.	Employment continued with the Group unless the executive gave the Group six months' notice in writing, or the Group gave the executive 12 months' notice in writing.

Other than as set out above, there are no contracted termination benefits payable to any KMP.

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Non-Executive Director Fees

Fees paid to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees are reviewed annually by the Board and the Remuneration and Nomination Committee.

Non-Executive Directors are paid solely by the way of directors' fees and Non-Executive Directors do not participate in equity nor cash-based incentives schemes. Non-Executive Directors bring a depth of experience and knowledge to their roles and are a key component in the effective operation of the Board. The maximum total aggregate level of directors' fees payable by the Group is \$1,200,000 per annum as set by investors at the 30 October 2014 general meeting. There is no proposal to increase the aggregate fee cap in FY18.

The Board has determined that Board fees for FY17 be the same as Board fees for the prior year. They are as follows:

Position	Non Executive Director Fees
Board Chair	\$205,000
Other Non-Executive Director	\$120,000
Audit and Risk Committee	
- Chair	\$20,000
- Member	\$15,000
Other Committee	
- Chair	\$12,500
- Member	\$7,500

There are no further changes to directors' fees proposed for FY18, other than the introduction of a A\$136,000 per annum fee for any US-based Non-Executive Directors.

Details of the actual fees delivered to Non-Executive Directors of the Group for FY17 and FY16 are set out below:

		Salary \$	Superannuation \$	Total \$
Independent Directors				
George Venardos	FY17	197,748	17,211	214,959
	FY16	146,119	13,881	160,000
Roger Davis	FY17	142,104	13,500	155,604
	FY16	141,553	13,447	155,000
David Haslingden	FY17	130,023	12,352	142,375
	FY16	120,528	11,450	131,978
Don Morris AO	FY17	130,023	12,352	142,375
	FY16	123,288	11,712	135,000
Melanie Willis	FY17	136,872	13,003	149,875
	FY16	122,738	11,660	134,398
Neil Balnaves AO	FY17	77,352	7,080	84,432
	FY16	208,192	19,308	227,500
	FY17	814,122	75,498	889,620
	FY16	862,418	81,458	943,876

(1) Retired 6 November 2016.

(g) Additional Statutory disclosures

(i) Directors' interests in securities

Changes to Directors' interests in stapled securities during the period are set out below:

	Opening balance	Acquired	Disposed	Other Changes ⁽¹⁾	Closing balance
George Venardos	209,857	5,982	-	-	215,839
Roger Davis	200,658	-	-	-	200,658
David Haslingden	160,000	-	-	-	160,000
Simon Kelly	-	-	-	280,409	280,409
Don Morris AO	13,950	-	-	-	13,950
Melanie Willis	9,674	-	-	-	9,674
Neil Balnaves AO	3,001,510	-	-	(3,001,510)	-
Deborah Thomas	31,358	10,911	-	-	42,269
	3,627,007	16,893	-	(2,721,101)	922,799

(1) Securities held on joining/leaving the Group

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional Statutory disclosures (continued)

(ii) Other KMP interests in securities

Changes to the interests of other KMP in stapled securities during the period are set out below:

	Opening balance	Acquired under the Group's equity plans	Disposed	Other Changes ⁽¹⁾	Closing balance
Richard Johnson	100,000	164,566	-	-	264,566
Nicole Noye	2,500	28,930	(25,644)	-	5,786
Greg Oliver	600,347	294,862	(600,347)	(294,862)	-
Charlie Keegan	33,630	93,171	-	-	126,801
Craig Davidson	13,306	40,648	(3,954)	-	50,000
	749,783	622,177	(629,945)	(294,862)	447,153

(1) Securities held on joining/leaving the Group

(iii) Valuation inputs

For performance rights outstanding at 30 June 2017, the tables below show the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the performance rights granted to employees at 30 June 2017:

DSTI grant	2015	2016
Grant date	18 August 2015	23 August 2016
Vesting date – year 1	31 August 2016	31 August 2017
Vesting date – year 2	31 August 2017	31 August 2018
Average risk free rate	1.90% per annum	1.40% per annum
Expected price volatility	34.5% per annum	40.0% per annum
Expected distribution yield	5.7% per annum	5.0% per annum
Stapled security price at grant date	\$2.18	\$2.50
Valuation per performance right on issue	\$2.00	\$2.32

LTIP grant	2013	2014	2015	2016
Grant date	23 August 2013	19 August 2014	15 December 2015	23 August 2016
Vesting date – year 2	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 3	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Vesting date – year 4	31 August 2017	31 August 2018	31 August 2019	31 August 2020
Average risk free rate	2.60% per annum	2.57% per annum	2.10% per annum	1.40% per annum
Expected price volatility	32.0% per annum	27.0% per annum	38.3% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	4.3% per annum	5.8% per annum	5.0% per annum
Stapled security price at grant date	\$1.82	\$3.00	\$2.17	\$2.50
Valuation per performance right on issue	\$0.72	\$1.44	\$1.12	\$1.52

Grants of performance rights are made annually with the grant date being the date of the issue of the offer letters to employees. Although the grant date may vary from year to year, the testing period (subject to any hurdles) remains constant with the vesting date being 24 hours immediately following the announcement of the Group's full year financial results.

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional Statutory disclosures (continued)

(iii) Valuation inputs (continued)

The tables below show the fair value of the performance rights in each grant as at 30 June 2017 as well as the factors used to value the performance rights as at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2017:

DSTI Grant	2015	2016
Grant date	18 August 2015	23 August 2016
Vesting date – year 1	31 August 2016	31 August 2017
Vesting date – year 2	31 August 2017	31 August 2018
Average risk free rate	1.80% per annum	1.80% per annum
Expected price volatility	45.0% per annum	45.0% per annum
Expected distribution yield	1.6% per annum	1.6% per annum
Stapled security price at year end	\$1.88	\$1.88
Valuation per performance right at year end	\$1.87	\$1.86

LTIP Grant	2013	2014	2015	2016
Grant date	23 August 2013	19 August 2014	15 December 2015	23 August 2016
Vesting date – year 2	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 3	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Vesting date – year 4	31 August 2017	31 August 2018	31 August 2019	31 August 2020
Average risk free rate	1.80% per annum	1.80% per annum	1.80% per annum	1.80% per annum
Expected price volatility	45.0% per annum	45.0% per annum	45.0% per annum	45.0% per annum
Expected distribution yield	1.6% per annum	1.6% per annum	1.6% per annum	1.6% per annum
Stapled security price at year end	\$1.88	\$1.88	\$1.88	\$1.88
Valuation per performance right at year end	\$0.02	\$0.08	\$0.31	\$0.80

(iv) Details of equity grant movements

The table below sets out the number of performance rights that were granted, lapsed and vested during the financial year and that are yet to vest:

	Year granted	Tranche	Financial years in which performance rights may vest		Value of performance rights at grant	Number lapsed	Value of performance rights at lapse	Number vested	Value of performance rights at vesting	Maximum value yet to vest	
			Year	Number	\$		\$		\$		\$
Simon Kelly	Grant in lieu of remuneration	2017	T1	2020	799,334	1,658,059	-	-	-	-	1,658,059
	Total				799,334	1,658,059	-	-	-	-	1,658,059
Richard Johnson	LTIP	2012	T3	2017	82,075	49,491	2,872	8,070	79,203	222,560	-
				2018	65,789	51,388	18,355	51,578	47,434	133,290	-
			T3	2018	65,789	47,579	-	-	-	-	47,579
				2014	T1	2017	33,804	58,846	33,804	94,989	-
		2018	33,804			52,751	-	-	-	-	52,751
			T3	2019	33,804	44,523	-	-	-	-	44,523
				2015	T1	2018	65,994	82,407	-	-	-
		2019	65,994			73,867	-	-	-	-	73,867
			T3	2020	65,994	66,133	-	-	-	-	66,133
				2016	T1	2019	32,719	49,445	-	-	-
		2020	32,719			45,247	-	-	-	-	45,247
			T3	2021	32,719	33,753	-	-	-	-	33,753
				2020	49,080	105,493	-	-	-	-	105,493
		DSTI	2014	T2	2017	16,920	46,474	-	-	16,920	47,545
	2018				21,009	43,152	-	-	21,009	59,035	-
	2015		T1	2017	21,009	43,152	-	-	21,009	59,035	-
				2018	21,010	40,749	-	-	-	-	40,749
	2016		T1	2018	29,799	70,788	-	-	-	-	70,788
				2019	29,799	67,334	-	-	-	-	67,334
Total				778,821	1,029,420	55,031	154,637	164,566	462,430	780,069	

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional Statutory disclosures (continued)

(iv) Details of equity grant movements (continued)

		Year granted	Tranche	Financial years in which performance rights may vest		Value of performance rights at grant	Number lapsed	Value of performance rights at lapse	Number vested	Value of performance rights at vesting	Maximum value yet to vest	
				Year	Number	\$		\$		\$	\$	
Nicole Noye	LTIP	2015	T1	2018	17,857	22,298	-	-	-	-	22,298	
			T2	2019	17,857	19,987	-	-	-	-	19,987	
			T3	2020	17,857	17,894	-	-	-	-	17,894	
		2016	T1	2019	16,733	25,287	-	-	-	-	25,287	
			T2	2020	16,733	23,140	-	-	-	-	23,140	
			T3	2021	16,733	17,262	-	-	-	-	17,262	
			T4	2020	25,100	53,950	-	-	-	-	53,950	
	DSTI	2015	T1	2017	28,930	59,422	-	-	28,930	81,293	-	
			T2	2018	28,930	56,110	-	-	-	-	56,110	
		2016	T1	2018	28,709	68,198	-	-	-	-	68,198	
T2	2019		28,710	64,873	-	-	-	-	64,873			
Total				244,149		428,421	-	-	28,930	81,293	368,999	
Greg Oliver	LTIP	2012	T3	2017	28,043	16,910	981	2,757	27,062	76,044	-	
			2013	T2	2017	23,026	17,986	6,424	18,051	16,602	46,652	-
				T3	2018	23,026	16,652	-	-	23,026	54,111	-
		2014	T1	2017	14,941	26,009	14,941	41,984	-	-	-	
			T2	2018	14,941	23,315	-	-	14,941	35,111	-	
			T3	2019	14,941	19,679	-	-	14,941	35,111	-	
		2015	T1	2018	21,875	27,315	-	-	21,875	51,406	-	
			T2	2019	21,875	24,485	-	-	21,875	51,406	-	
			T3	2020	21,875	21,921	-	-	21,875	51,406	-	
	DSTI	2014	T2	2017	24,388	66,987	-	-	24,388	68,530	-	
			T1	2017	17,759	36,477	-	-	17,759	49,903	-	
		2015	T2	2018	17,760	34,446	-	-	17,760	41,736	-	
			T1	2018	36,379	86,418	-	-	36,379	85,491	-	
				T2	2019	36,379	82,202	-	-	36,379	85,491	-
Total				317,208		500,802	22,346	62,792	294,862	732,398		

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional Statutory disclosures (continued)

(iv) Details of equity grant movements (continued)

				Financial years in which performance rights may vest		Value of performance rights at grant	Number lapsed	Value of performance rights at lapse	Number vested	Value of performance rights at vesting	Maximum value yet to vest
				Year	Number	\$		\$		\$	\$
Charlie Keegan	LTIP	2013	T2	2017	17,162	13,405	4,788	13,454	12,374	34,771	-
			T3	2018	17,162	12,412	-	-	-	12,412	
		2014	T1	2017	27,961	48,675	27,961	78,570	-	-	-
			T2	2018	27,961	43,633	-	-	-	43,633	
			T3	2019	27,961	36,827	-	-	-	36,827	
		2015	T1	2018	62,055	77,488	-	-	-	77,488	
			T2	2019	62,056	69,459	-	-	-	69,459	
			T3	2020	62,056	62,186	-	-	-	62,186	
		2016	T1	2019	41,710	63,032	-	-	-	63,032	
			T2	2020	41,709	57,679	-	-	-	57,679	
			T3	2021	41,709	43,027	-	-	-	43,027	
			T4	2020	62,565	134,477	-	-	-	134,477	
	DSTI	2014	T2	2017	21,653	59,474	-	-	21,653	60,845	-
		2015	T1	2017	59,144	121,482	-	-	59,144	166,195	-
			T2	2018	59,144	114,710	-	-	-	-	114,710
		2016	T1	2018	42,724	101,491	-	-	-	-	101,491
			T2	2019	42,724	96,539	-	-	-	-	96,539
Cash Settled											
Charlie Keegan	LTIP	2012	T3	2017	17,039	10,275	596	1,675	16,443	46,205	-
Total					734,495	1,166,271	33,345	93,699	109,614	308,016	912,960
Craig Davidson	LTIP	2014	T1	2017	11,368	19,789	11,368	31,944	-	-	-
			T2	2018	11,368	17,740	-	-	-	17,740	
			T3	2019	11,368	14,973	-	-	-	14,973	
		2015	T1	2018	16,741	20,904	-	-	-	20,904	
			T2	2019	16,741	18,738	-	-	-	18,738	
			T3	2020	16,741	16,776	-	-	-	16,776	
		2016	T1	2019	15,313	23,141	-	-	-	23,141	
			T2	2020	15,314	21,178	-	-	-	21,178	
			T3	2021	15,314	15,798	-	-	-	15,798	
			T4	2020	22,971	49,374	-	-	-	49,374	
	DSTI	2014	T2	2017	13,307	36,550	-	-	13,307	37,393	-
		2015	T1	2017	27,341	56,158	-	-	27,341	76,828	-
			T2	2018	27,341	53,028	-	-	-	-	53,028
		2016	T1	2018	25,367	60,259	-	-	-	-	60,259
			T2	2019	25,367	57,319	-	-	-	-	57,319
Total					271,962	481,725	11,368	31,944	40,648	114,221	369,228
Deborah Thomas	LTIP	2015	T1	2018	99,702	124,498	-	-	-	-	124,498
			T2	2019	99,702	111,596	-	-	-	111,596	
			T3	2020	99,703	99,912	-	-	-	99,912	
		2016	T1	2019	38,731	58,530	-	-	-	58,530	
			T2	2020	38,732	53,562	-	-	-	53,562	
			T3	2021	38,732	39,956	-	-	-	39,956	
			T4	2020	58,098	124,876	58,098	109,224	-	-	-
	DSTI	2015	T1	2017	10,016	20,573	-	-	10,016	28,145	-
			T2	2018	10,017	19,428	-	-	-	-	19,428
		2016	T1	2018	36,255	86,124	-	-	-	-	86,124
			T2	2019	36,256	81,924	36,256	68,161	-	-	-
Total					565,944	820,979	94,354	177,385	10,016	28,145	593,606

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional Statutory disclosures (continued)

(v) LTI performance rights

The number of performance rights on issue and granted to the Group's executive KMP under the LTIP is set out below:

30 June 2017	Opening balance	Granted as compensation	Vested	Lapsed	Closing balance	Vested and exercisable	Unvested
<i>Current executives</i>							
Richard Johnson	513,047	147,237	(126,637)	(55,031)	478,616	-	478,616
Nicole Noye	53,571	75,299	-	-	128,870	-	128,870
Charlie Keegan	304,374	187,693	(12,374)	(32,749)	446,944	-	446,944
Craig Davidson	84,327	68,912	-	(11,368)	141,871	-	141,871
Deborah Thomas	299,107	174,293	-	(58,098)	415,302	-	415,302
Equity settled	1,438,969	653,434	(301,208)	(179,592)	1,611,603	-	1,611,603
<i>Current executive</i>							
Charlie Keegan	17,039	-	(16,443)	(596)	-	-	-
Cash settled	17,039	-	(16,443)	(596)	-	-	-
Total performance rights	1,456,008	653,434	(317,651)	(180,188)	1,611,603	-	1,611,603

(vi) DSTI rights

The number of rights on issue and granted to the Group's executive KMP under the DSTI is set out below:

30 June 2017	Opening balance	Granted as compensation	Vested	Lapsed	Closing balance	Vested and exercisable	Unvested
<i>Current executives</i>							
Richard Johnson	58,939	59,598	(37,929)	-	80,608	-	80,608
Nicole Noye	57,860	57,419	(28,930)	-	86,349	-	86,349
Greg Oliver	59,907	72,758	(132,665)	-	-	-	-
Charlie Keegan	139,941	85,448	(80,797)	-	144,592	-	144,592
Craig Davidson	67,989	50,734	(40,648)	-	78,075	-	78,075
Deborah Thomas	20,033	72,511	(10,016)	(36,256)	46,272	-	46,272
Total performance rights	404,669	398,468	(330,985)	(36,256)	435,896	-	435,896

(vi) Rights delivered to Simon Kelly as part of fixed remuneration

30 June 2017	Opening balance	Granted as compensation	Vested	Lapsed	Closing balance	Vested and exercisable	Unvested
<i>Current executives</i>							
Simon Kelly	-	799,334	-	-	799,334	-	799,334
Total performance rights	-	799,334	-	-	799,334	-	799,334

(vii) Loans and other transactions with KMP

There were no loans made to KMP during the financial year, as disclosed in Note 37(e) to the financial statements. Refer to Note 37(f) to the financial statements for details of other transactions with KMP during the financial year.

Directors' report to stapled security holders

12. Non-audit services

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

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in Note 9 to the financial statements.

The Directors have considered the position and, in accordance with the recommendation received from the Audit and Risk Committee, are 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. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 9 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermines the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

13. 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 37.

14. Events occurring after reporting date

Subsequent to 30 June 2017, a distribution of 1.0 cent per stapled security has been declared by the Board of Directors. The total distribution amount of \$4.7 million will be paid on or before 31 August 2017 in respect of the half year ended 30 June 2017.

As noted above, effective 14 August 2017, the Group completed the disposal of its Marinas business for gross sale proceeds (excluding working capital adjustments) of \$126.0 million.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matters or circumstances not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2017.

15. Likely developments and expected results of operations

The financial statements have been prepared on the basis of the current known market conditions. The extent to which any potential deterioration in either the capital or physical property markets may have on the future results of the Group is unknown. Such results could include the potential to influence property market valuations, the ability of borrowers, including the Group, to raise or refinance debt, and the cost of such debt and the ability to raise equity.

At the date of this report, and to the best of the Directors' knowledge and belief, there are no other anticipated changes in the operations of the Group which would have a material impact on the future results of the Group.

Directors' report to stapled security holders

16. Indemnification and insurance of officers and auditor

Manager

No insurance premiums are paid for out of the assets of the Trust for insurance provided to either the officers of the Manager or the auditor of the Trust. So long as the officers of the Manager act in accordance with the Trust Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

ALL

Under ALL's Constitution, ALL indemnifies:

- All past and present officers of ALL, and persons concerned in or taking part in the management of ALL, against all liabilities incurred by them in their respective capacities in successfully defending proceedings against them; and
- All past and present officers of ALL against liabilities incurred by them, in their respective capacities as an officer of ALL, to other persons (other than ALL or its related parties), unless the liability arises out of conduct involving a lack of good faith.

During the reporting period, ALL had in place a policy of insurance covering the Directors and officers against liabilities arising as a result of work performed in their capacity as Directors and officers of ALL. Disclosure of the premiums paid for the insurance policy is prohibited under the terms of the insurance policy.

17. Fees paid to and interests held in the Trust by the Manager or its associates

The interests in the Trust held by the Manager or its related entities as at 30 June 2017 and fees paid to its related entities during the financial year are disclosed in Notes 7 and 37 to the financial statements.

18. Environmental regulations

During the financial year, the Group's major businesses were subject to environmental legislation in respect of its operating activities as set out below:

(a) Theme Parks – Australia

Dreamworld and WhiteWater World theme parks are subject to various legislative requirements in respect of environmental impacts of their operating activities. The Queensland Environmental Protection Act 1994 regulates all activities where a contaminant may be released into the environment and/or there is a potential for environmental harm or nuisance. In accordance with Schedule 1 of the Environmental Protection Regulation 1998, Dreamworld holds licences or approvals for the operation of a helipad, motor vehicle workshop and train-shed and the storage and use of flammable/combustible goods. During the year, Dreamworld and WhiteWater World complied with all requirements of the Act.

The environment committee meets on a bi-monthly basis to pursue environmental projects and improve environmental performance. An energy conservation program was rolled out throughout the organisation. A mobile phone recycling program continued to operate throughout the theme park with proceeds used to improve wildlife protection in parts of Africa where mobile phone components are sourced from. A range of existing recycling programs continue to operate effectively, including glass, plastic, waste metals, paper, waste oils and cardboard. A water efficiency management plan continues to operate effectively, with a net reduction of consumption over the past 10 years. Staff also carried out voluntary programs aimed at the humane treatment of pests, removal of noxious weeds and other sustainability initiatives. These initiatives were additionally integrated into existing staff training programs to further strengthen environmental culture within the organisation.

Dreamworld's noise conservation program ensures that noise emissions emanating from park activities do not contravene State regulations or adversely impact surrounding neighbours. Local government regulations for the staging of night time events and functions were complied with at all times.

Dreamworld's Life Sciences department is subject to the Quarantine Act 1908. In accordance with the Australian Quarantine Regulations, Dreamworld holds an approved post-arrival facilities licence and an approved zoo permit. In accordance with the Nature Conservation Act 1992 and the Nature Conservation Regulation 1994, Dreamworld holds a "Wildlife Exhibitors Licence" and in accordance with Land Protection (Pest and Stock Route Management) Regulation 2003, Dreamworld holds a "Declared Pest Permit". All licences and permits remain current and Dreamworld has complied fully with the requirements of each.

There are two water licences for the Dreamworld/WhiteWater World property. These relate to water conservation and irrigation. There have been no issues or events of non-compliance recorded by management or the regulatory authorities regarding water use.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(b) Marinas – Australia

During the period of ownership by the Group, Schedule 1 Environment Protection Licences were held for all five NSW marinas in the portfolio in accordance with the Protection of the Environment Operations Act 1997 (NSW). There were no specific environmental licence requirements in Victoria relating to the Pier 35 or Victoria Harbour marinas.

During the period, the NSW Environment Protection Authority (EPA) commenced proceedings against Ardent Leisure Limited in relation to the diesel spill that occurred at Rushcutters Bay marina in May 2016. Ardent Leisure Limited pleaded guilty to those proceedings on 30 June 2017, however the outcome will not be determined until later in 2017. To the extent that statutory fines or penalties may be imposed, they are not expected to be material to the Group and, in any event, will be met by insurance cover.

(c) Bowling and Entertainment Centres – Australia

Australian Bowling and Entertainment Centres are subject to environmental regulations concerning their food facilities. This is primarily trade waste and grease traps. The Group has adequate management systems and the correct licence requirements in place concerning the disposal of such waste in accordance with each State or Territory's legislation. Cooking oil is replaced and disposed of by external organisations at all locations.

All hazardous substances are disposed of according to manufacturers' and EPA regulations. A register of all hazardous substances and dangerous goods is located at centre level.

Lane cleaning and maintenance products are largely water-based products, excluding approach cleaner, which is a solvent-based product. This product is disposed of in accordance with each State and Territory's EPA requirements.

Noise is adequately monitored for both internal and external environmental breaches. Noise emissions fall within acceptable levels for both residential and industrial areas and all EPA requirements. No complaints have been received since acquisition of the business.

(d) Bowling and Entertainment Centres – New Zealand

There are no specific requirements relating to the New Zealand centres that are not reflected in the above statement.

(e) US Entertainment Centres – United States of America

The US Entertainment Centres are subject to various Federal, State and local environmental requirements with respect to development of new centres in the United States of America. At a Federal level, the Environmental Protection Agency is responsible for setting national standards for a variety of environmental programs, and delegates to States the responsibility for issuing permits and for monitoring and enforcing compliance.

A prerequisite for any building permit for new centre construction is full compliance with all city and State planning and zoning ordinances. A building permit, depending on locality, may require soils reports, site line studies, storm water and irrigation regulation compliance, asbestos free reports, refuse and grease storage permits, health and food safety permits, and complete Occupational Safety and Health Administration (OSHA) Material Safety Data Sheets (MSDS) documentation.

With respect to operating activities at the US Entertainment Centres, the OSHA requires that MSDS be available to all employees for explaining potentially harmful chemical substances handled in the workplace under the hazard communication regulation. The MSDS is also required to be made available to local fire departments and local and State emergency planning officials under section 311 of the Emergency Planning and Community Right-to-Know Act.

At this time, there are no known issues of non-compliance with any environmental regulation at the US Entertainment Centres.

(f) Goodlife Health Clubs – Australia

During the period of ownership by the Group, Goodlife was subject to environmental regulations across the business and had initiatives in place to meet all areas of environmental compliance.

Water conservation was a high priority and management implemented a range of strategies to meet current water regulations as per each State's regulations. A recycling program was implemented across the business, assisting with reduction of waste products and meeting environmental standards.

Hazardous substances and dangerous goods were strictly monitored in the business and, where possible, non-hazardous chemicals were used. All hazardous chemicals and dangerous goods were disposed as per current regulations. All clubs held site specific chemical registers with safe work methods.

Noise emissions did not contravene State regulations or impact on surrounding business or neighbourhoods.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(g) Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The Group continues to meet its obligations under this Act.

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required. The Group submitted its 2015/2016 emissions report under the Act in September 2016.

The Group is not subject to any other significant environmental regulations and there are adequate systems in place to manage its environmental responsibilities.

19. Rounding of amounts to the nearest thousand dollars

The Group is a registered scheme of a 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 and financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

This report is made in accordance with a resolution of the Boards of Directors of Ardent Leisure Management Limited and Ardent Leisure Limited.



George Venardos
Chairman



Simon Kelly
Managing Director

Sydney
31 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Ardent Leisure Group for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ardent Leisure Group, which includes Ardent Leisure Trust and Ardent Leisure Limited and the entities they controlled during the period.

A handwritten signature in black ink, appearing to read 'Timothy J Allman'.

Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
31 August 2017

Income Statements

for the year ended 30 June 2017

	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Income					
Revenue from operating activities	3	498,048	477,059	498,048	477,059
Management fee income	7(b)	-	-	1,200	1,200
Valuation gains - investment properties		-	2,050	-	-
Interest income		86	81	77	68
Gain on sale and leaseback of US Entertainment Centres		-	1,672	-	1,672
Other income		1,727	-	1,727	-
Total income		499,861	480,862	501,052	479,999
Expenses					
Purchases of finished goods		69,860	62,772	69,860	62,772
Salary and employee benefits		206,925	178,688	206,652	178,862
Borrowing costs	4	12,160	14,737	9,571	10,146
Property expenses	5	68,421	57,531	80,233	100,370
Depreciation and amortisation		48,894	42,214	32,646	23,642
Loss on closure of Australian Bowling and Entertainment Centres		470	-	4	-
Loss on disposal of assets		2,681	397	789	23
Advertising and promotions		24,082	18,131	24,082	18,131
Repairs and maintenance		28,730	22,335	28,730	22,335
Pre-opening expenses		13,888	7,525	13,888	7,525
Business acquisition costs		-	64	-	64
Impairment of property, plant and equipment		255	301	-	-
Impairment of goodwill		783	-	783	-
Valuation loss - property, plant and equipment		88,747	-	-	-
Dreamworld incident costs		7,048	-	6,701	-
Net loss from derivative financial instruments	6	421	170	-	-
Other expenses	8	48,543	40,965	48,062	40,314
Total expenses		621,908	445,830	522,001	464,184
(Loss)/profit before tax (benefit)/expense		(122,047)	35,032	(20,949)	15,815
Income tax (benefit)/expense	10	(5,561)	7,448	(5,421)	7,426
(Loss)/profit from continuing operations		(116,486)	27,584	(15,528)	8,389
Profit from discontinued operations	16(b)	53,929	14,803	18,592	2,252
(Loss)/profit for the year		(62,557)	42,387	3,064	10,641
Attributable to:					
Stapled security holders		(62,557)	42,387	3,064	10,641
(Loss)/profit for the year		(62,557)	42,387	3,064	10,641
The above Income Statements should be read in conjunction with the accompanying notes.					
Total basic (losses)/earnings per security/share (cents)	11	(13.37)	9.37	0.65	2.35
Basic (losses)/earnings per security/share (cents) from continuing operations	11	(24.89)	6.10	(3.32)	1.85
Total diluted (losses)/earnings per security/share (cents)	11	(13.34)	9.35	0.65	2.35
Diluted (losses)/earnings per security/share (cents) from continuing operations	11	(24.84)	6.09	(3.31)	1.85

Statements of Comprehensive Income for the year ended 30 June 2017

	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
(Loss)/profit for the year		(62,557)	42,387	3,064	10,641
Other comprehensive income for the year					
<i>Items that may be reclassified to profit and loss:</i>					
Cash flow hedges	31	3,154	(1,878)	1,549	(1,321)
Foreign exchange translation difference	31	(3,280)	2,049	(3,837)	2,277
Income tax (expense)/benefit relating to these items	31	(562)	441	(562)	441
<i>Items that will not be reclassified to profit and loss:</i>					
(Loss)/gain on revaluation of property, plant and equipment	31	(1,215)	10,534	-	-
Other comprehensive (loss)/income for the year, net of tax		(1,903)	11,146	(2,850)	1,397
Total comprehensive (loss)/income for the year, net of tax		(64,460)	53,533	214	12,038
Attributable to:					
Stapled security holders		(64,460)	53,533	214	12,038
Total comprehensive (loss)/income for the year, net of tax		(64,460)	53,533	214	12,038
Total comprehensive (loss)/income for the year attributable to stapled security holders arises from:					
Continuing operations		(118,389)	38,730	(18,378)	9,786
Discontinued operations	16(b)	53,929	14,803	18,592	2,252
Total comprehensive (loss)/income for the year, net of tax		(64,460)	53,533	214	12,038

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheets

as at 30 June 2017

	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current assets					
Cash and cash equivalents	34	10,842	9,070	9,352	8,391
Receivables	13	5,367	13,286	5,367	13,286
Derivative financial instruments	14	-	131	-	-
Inventories	15	13,256	13,002	13,256	13,002
Current tax receivables		-	3,275	-	3,275
Assets classified as held for sale	16(d)	120,721	112,940	3,244	2,782
Property classified as held for sale	17	13,840	-	13,840	-
Construction in progress inventories	18	56,756	61,796	56,756	61,796
Other	19	5,089	7,913	4,467	7,384
Total current assets		225,871	221,413	106,282	109,916
Non-current assets					
Property, plant and equipment	20	636,440	683,759	374,587	287,061
Investments held at fair value	40	3,201	-	3,201	-
Derivative financial instruments	14	272	113	196	-
Livestock		293	221	293	221
Intangible assets	21	96,587	246,129	96,587	246,129
Deferred tax assets	22	11,549	5,997	11,549	5,997
Total non-current assets		748,342	936,219	486,413	539,408
Total assets		974,213	1,157,632	592,695	649,324
Current liabilities					
Payables	23	102,960	106,407	96,371	93,699
Construction in progress deposits	18	50,050	55,494	50,050	55,494
Derivative financial instruments	14	1,005	1,202	-	132
Interest bearing liabilities	24	54,466	-	-	-
Current tax liabilities		602	63	602	63
Provisions	25	2,973	4,029	2,973	4,029
Liabilities directly associated with assets classified as held for sale	16(d)	4,892	4,104	4,558	3,716
Other	26	2,675	1,985	2,675	1,985
Total current liabilities		219,623	173,284	157,229	159,118
Non-current liabilities					
Derivative financial instruments	14	316	2,937	29	1,283
Interest bearing liabilities	24	178,161	312,903	218,844	276,088
Provisions	25	7,595	14,987	2,763	4,414
Deferred tax liabilities	27	36,796	33,538	36,796	33,538
Total non-current liabilities		222,868	364,365	258,432	315,323
Total liabilities		442,491	537,649	415,661	474,441
Net assets		531,722	619,983	177,034	174,883
Equity					
Contributed equity	28	662,450	649,720	170,699	167,100
Other equity	30	(1,662)	-	(1,662)	-
Reserves	31	(26,861)	(24,938)	6,185	9,035
(Accumulated losses)/retained profits	32	(102,205)	(4,799)	1,812	(1,252)
Total equity attributable to stapled security holders		531,722	619,983	177,034	174,883
Total equity		531,722	619,983	177,034	174,883

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity for the year ended 30 June 2017

	Note	Contributed equity \$'000	Other equity \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Consolidated Group						
Total equity at 1 July 2015		605,181	-	(30,691)	4,992	579,482
Profit for the year		-	-	-	42,387	42,387
Other comprehensive income for the year		-	-	11,146	-	11,146
Total comprehensive income for the year		-	-	11,146	42,387	53,533
<i>Transactions with owners in their capacity as owners:</i>						
Security-based payments	31	-	-	(1,866)	-	(1,866)
Contributions of equity, net of issue costs	28	41,162	-	-	-	41,162
Security-based payments - securities/shares issued	28	3,377	-	-	-	3,377
Distributions paid and payable	32	-	-	-	(55,705)	(55,705)
Reserve transfers	31, 32	-	-	(3,527)	3,527	-
Total equity at 30 June 2016		649,720	-	(24,938)	(4,799)	619,983
Loss for the year		-	-	-	(62,557)	(62,557)
Other comprehensive loss for the year		-	-	(1,903)	-	(1,903)
Total comprehensive loss for the year		-	-	(1,903)	(62,557)	(64,460)
<i>Transactions with owners in their capacity as owners:</i>						
Security-based payments	31	-	-	(20)	-	(20)
Contributions of equity, net of issue costs	28	9,247	-	-	-	9,247
Security-based payments - securities/shares issued	28	3,483	-	-	-	3,483
Acquisition of treasury shares	30	-	(1,662)	-	-	(1,662)
Distributions paid and payable	32	-	-	-	(34,849)	(34,849)
Total equity at 30 June 2017		662,450	(1,662)	(26,861)	(102,205)	531,722
ALL Group						
Total equity at 1 July 2015		155,262	-	7,638	(11,893)	151,007
Profit for the year		-	-	-	10,641	10,641
Other comprehensive income for the year		-	-	1,397	-	1,397
Total comprehensive income for the year		-	-	1,397	10,641	12,038
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of issue costs	28	10,958	-	-	-	10,958
Security-based payments - shares issued	28	880	-	-	-	880
Total equity at 30 June 2016		167,100	-	9,035	(1,252)	174,883
Profit for the year		-	-	-	3,064	3,064
Other comprehensive loss for the year		-	-	(2,850)	-	(2,850)
Total comprehensive (loss)/income for the year		-	-	(2,850)	3,064	214
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of issue costs	28	2,608	-	-	-	2,608
Security-based payments - shares issued	28	991	-	-	-	991
Acquisition of treasury shares	30	-	(1,662)	-	-	(1,662)
Total equity at 30 June 2017		170,699	(1,662)	6,185	1,812	177,034

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

for the year ended 30 June 2017

	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Cash flows from operating activities					
Receipts from customers		647,442	752,923	648,762	755,995
Payments to suppliers and employees		(491,335)	(503,891)	(500,817)	(495,286)
Property expenses paid		(87,289)	(109,140)	(83,013)	(105,169)
Payments for construction in progress inventories		(58,670)	(70,832)	(58,670)	(70,832)
Early termination of interest rate swap		(72)	-	-	-
Interest received		86	81	77	68
Rent payments to the Trust		-	-	(66,641)	(122,453)
Deposits received for construction in progress		58,123	68,116	58,123	68,116
Receipts of funds for property costs from the Trust		-	-	38,291	62,224
US withholding tax (paid)/received		(137)	206	-	-
Insurance recoveries		1,052	-	1,052	-
Income tax received/(paid)		2,977	(2,042)	2,975	(2,039)
Net cash flows from operating activities	35(a)	72,177	135,421	40,139	90,624
Cash flows from investing activities					
Payments for property, plant and equipment and other intangible assets		(212,164)	(154,444)	(171,266)	(132,132)
Purchase of assets on behalf of the Trust		-	-	(40,668)	(20,210)
Receipt of funds for assets purchased on behalf of the Trust		-	-	40,579	20,803
Proceeds from sale of plant and equipment		384	186	199	186
Proceeds from sale of land and buildings		-	23,849	-	23,849
Proceeds from the sale of health clubs, net of cash disposed		259,328	-	202,530	-
Payments for purchase of investments		(3,201)	-	(3,201)	-
Payments for purchase of businesses, net of cash acquired		-	(3,789)	-	(1,488)
Net cash flows from investing activities		44,347	(134,198)	28,173	(108,992)
Cash flows from financing activities					
Proceeds from borrowings		1,610,810	2,572,503	878,285	1,334,380
Repayments of borrowings		(1,687,010)	(2,539,083)	(864,464)	(1,296,954)
Borrowing costs		(11,439)	(15,960)	(10,030)	(14,077)
Costs of issue of stapled securities		(38)	(78)	(11)	(21)
Payments for securities acquired by Ardent Leisure Employee Share Trust		(1,662)	-	(1,662)	-
Proceeds from borrowings from the Trust		-	-	202,058	82,598
Repayments of borrowings to the Trust		-	-	(271,409)	(83,800)
Distributions paid to stapled security holders		(25,564)	(14,465)	-	-
Net cash flows from financing activities		(114,903)	2,917	(67,233)	22,126
Net increase in cash and cash equivalents		1,621	4,140	1,079	3,758
Cash and cash equivalents at the beginning of the year		9,072	4,986	8,393	4,685
Effect of exchange rate changes on cash and cash equivalents		153	(54)	(116)	(50)
Cash at the end of the year	34	10,846	9,072	9,356	8,393

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies

Ardent Leisure Group (Group or Consolidated Group) is a 'stapled' entity comprising of Ardent Leisure Trust (Trust) and its controlled entities, and Ardent Leisure Limited (ALL or Company) and its controlled entities. The units in the Trust are stapled to shares in the Company. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange (ASX).

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2017 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, issued by the Australian Securities and Investments Commission (ASIC), this financial report is a combined report that presents the consolidated financial statements and accompanying notes of both the Ardent Leisure Group and the Ardent Leisure Limited Group (ALL Group).

The financial report of Ardent Leisure Group comprises the consolidated financial report of Ardent Leisure Trust and its controlled entities, including Ardent Leisure Limited and its controlled entities.

The financial report of Ardent Leisure Limited Group comprises the consolidated financial report of Ardent Leisure Limited and its controlled entities.

These general purpose financial statements have been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

Ardent Leisure Group is a for-profit entity for the purposes of preparing financial statements.

These consolidated financial statements have been presented in accordance with ASIC Class Order 13/1050 as amended by ASIC Class Order 13/1644. These Class Orders allow the presentation of consolidated financial statements covering all the entities in a stapled group. There are no non-controlling interests that are attributable to the stapled security holders.

Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, these financial statements have also been prepared in accordance with and comply with IFRS as issued by the IASB.

New and amended standards adopted by the Group

The Group has applied the following new and amended standards for first time for the annual reporting period commencing 1 July 2016:

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*;
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*;
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*; and
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*.

There has been no impact to the financial statements as a result of the new or amended accounting standards.

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, property, plant and equipment and derivative financial instruments held at fair value.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of fair values described in Notes 1(f), 1(g), 1(m), 1(p), 1(s), 1(ab), 1(ac), 1(ag) and 1(ah) and assumptions related to deferred tax assets and liabilities, impairment testing of goodwill, operating lease make good obligations and Director valuations for some property, plant and equipment and investment properties, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

Deficiency of current assets

At 30 June 2017, the ALL Group had a deficiency of current assets of \$50.9 million (30 June 2016: \$49.2 million). Due to the nature of the business, the majority of sales are for cash whereas purchases are on credit resulting in a negative working capital position. Surplus cash is used to repay external loans, resulting in deficiencies of current assets. The ALL Group has \$153.4 million (30 June 2016: \$300.0 million) of unused capacity in its bank loans and its loans with the Trust which can be utilised to fund any deficiency in its net current assets. Refer to Note 24(b).

(b) Principles of consolidation

As the Trust is deemed to be the parent entity under Australian Accounting Standards, a consolidated financial report has been prepared for the Group as well as a consolidated financial report for the ALL Group. The consolidated financial report of the Group combines the financial report for the Trust and ALL Group for the year. Transactions between the entities have been eliminated in the consolidated financial reports of the Group and ALL Group. Accounting for the Group is carried out in accordance with Australian Accounting Standards.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(ac)).

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ardent Leisure Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate or a jointly controlled entity is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(c) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(d) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for doubtful debts. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Group will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

The amount of any impairment loss is recognised in the Income Statement within other expenses. When a trade receivable for which a provision has been recognised becomes uncollectible in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of goods held for resale is determined by weighted average cost. Cost of catering stores (which by nature are perishable) and other inventories is determined by purchase price.

(f) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purposes of letting to produce rental income.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

At each reporting date, the fair values of the investment properties are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager. Fair value is determined assuming a long term property investment. Specific circumstances of the owner are not taken into account.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

Where an independent valuation is obtained, the valuer considers the valuation under both the discounted cash flow (DCF) method and the income capitalisation method, with the adopted value generally being a mid-point of the valuations determined under these methods.

Under the DCF method, a property's fair value is estimated using the explicit assumptions regarding the benefits and liabilities of ownership over the asset's life. The DCF method involves the projection of a series of cash flows on the property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the property.

Under the income capitalisation method, the total income receivable from the property is assessed and this is capitalised in perpetuity to derive a capital value, with allowances for capital expenditure required.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(f) Investment properties (continued)

Where an independent valuation is not obtained, factors taken into account where appropriate, by the Directors in determining fair value may include:

- Assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- DCF models;
- Available sales evidence; and
- Comparisons to valuation professionals performing valuation assignments across the market.

As the fair value method has been adopted for investment properties, the buildings and any component thereof are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

(g) Property, plant and equipment

Revaluation model

The revaluation model of accounting is used for Australian Theme Parks land, buildings and major rides and attractions. All other classes of property, plant and equipment (PPE) are carried at historic cost. Initially, PPE are measured at cost. For assets carried under the revaluation model, PPE is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Increases in the carrying amounts arising on revaluation of PPE are credited, net of tax, to other reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against the asset revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income Statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset is charged to the Income Statement and depreciation based on the asset's original cost, net of tax, is transferred from the asset revaluation reserve to retained profits.

At each reporting date, the fair values of PPE are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager. Fair value is determined assuming a long term property investment. Specific circumstances of the owner are not taken into account.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

Where an independent valuation is not obtained, factors taken into account where appropriate, by the Directors in determining fair value may include:

- Assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- Information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- Capitalisation rates used to value the asset, market rental levels and lease expiries;
- Changes in interest rates;
- Asset replacement values;
- DCF models;
- Available sales evidence; and
- Comparisons to valuation professionals performing valuation assignments across the market.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	2017	2016
Buildings	40 years	40 years
Leasehold improvements	Over life of lease	Over life of lease
Major rides and attractions	20 - 40 years	20 - 40 years
Plant and equipment	4 - 25 years	4 - 25 years
Furniture, fittings and equipment	3 - 13 years	3 - 13 years
Motor vehicles	8 years	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in reserves in respect of those assets to retained profits.

(h) Leases

Where the Group has substantially all the risks and rewards of ownership, leases of property, plant and equipment are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(i) Investments and other financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(j) Construction in progress inventories

During the year, the Group entered into agreements with a third party to construct US Entertainment Centres for resale. Refer to Note 18.

Construction in progress inventories are valued at the lower of cost and net realisable value. Cost of construction in progress comprises the purchase price and other costs, including labour costs which are allocated in accordance with the terms of the agreements.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(k) Livestock

Livestock is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the animals. The fair value of the livestock is not materially different to its carrying value.

Depreciation on livestock is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over the useful lives of the assets which range from 5 to 50 years (30 June 2016: 5 to 50 years).

(l) Intangible assets

Customer relationships

Customer relationships acquired are amortised over the period during which the benefits are expected to be received, which is four years (30 June 2016: four years). The amortisation charge is weighted towards the first year of ownership where the majority of economic benefits arise.

Brands

Brands acquired are amortised on a straight-line basis over the period during which benefits are expected to be received, which is between 10 and 13 years (30 June 2016: 10 and 13 years).

Other intangible assets

Liquor licences are amortised over the length of the licences which are between 10 and 16 years (30 June 2016: 10 and 16 years), depending on the length of the licence. Software is amortised on a straight-line basis over the period during which the benefits are expected to be received, which is between 5 and 8 years (30 June 2016: 5 and 8 years).

Goodwill

Goodwill is measured as described in Note 1(ac). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer to Note 1(m)). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (refer to Note 38).

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(o) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Finance leases are recognised as interest bearing liabilities to the extent that the Group retains substantially all the risks and rewards of ownership.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument if hedging criteria are met, and if so, the nature of the item being hedged. The Group may designate certain derivatives as either hedges of exposures to variability in cash flows associated with future interest payments on variable rate debt (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 14. Movements in the cash flow hedge reserve in equity are shown in Note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months. They are classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item impacts the Income Statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(q) Borrowing costs

Borrowing costs are recognised as expenses using the effective interest rate method, except where they are included in the costs of qualifying assets.

Borrowing costs include interest on short term and long term borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

Borrowing costs associated with the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs not associated with qualifying assets, are expensed in the Income Statement.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. The average capitalisation rate used was 3.17% per annum (30 June 2016: 3.60% per annum) for Australian dollar debt and 2.16% per annum (30 June 2016: 1.61% per annum) for US dollar debt.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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 non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Where amounts are not expected to be settled within 12 months, expected future payments are discounted to their net present value using market yields at the reporting date on high quality corporate bonds.

The obligations are presented as current liabilities in the Balance Sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Profit sharing and bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

Long Term Incentive Plan (LTIP)

Australian employees

Long term incentives are provided to certain executives under the LTIP. The characteristics of the LTIP indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the LTIP is accounted for as a cash settled share-based payment.

The fair value of the performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights at grant date is determined using a Monte Carlo simulation valuation model and then recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

The fair value of the performance rights granted under the LTIP is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model, with the movement in fair value of the liability being recognised in the Income Statement.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate.

US employees

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the LTIP were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of the vesting period for each grant of performance rights, a calculation is made of the number of performance rights which would have been granted and payment is made based on the Group stapled security volume weighted average price (VWAP) for the five trading days immediately following the vesting date. Due to the nature of the scheme, this scheme is considered to be a cash settled share-based payment under AASB 2. Following steps taken to issue equity to US resident employees, all new performance rights issued after 1 July 2014 will be settled in equity upon vesting in future periods. As such, these performance rights are considered to be equity settled share-based payments under AASB 2.

The fair value of cash settled performance rights is determined at grant date and each reporting date using a Monte Carlo simulation valuation model. This is recorded as a liability, with the difference in the movement in the fair value of the financial liability being recognised in the Income Statement.

The fair value of equity settled performance rights is determined at grant date using a Monte Carlo simulation valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate.

Deferred Short Term Incentive Plan (DSTI)

Long term incentives are also provided to certain executives under the DSTI. The characteristics of the DSTI indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the DSTI's service criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the DSTI is accounted for as a cash settled share-based payment.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

Deferred Short Term Incentive Plan (DSTI) (continued)

The fair value of the performance rights granted under the DSTI is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of each grant of performance rights is determined at grant date using a binomial tree valuation model and then recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

The fair value of the performance rights granted under the DSTI is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model with the movement in fair value of the liability being recognised in the Income Statement.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate.

(t) Tax

The Trust is not subject to income tax. However, both of its controlled entities, Ardent Leisure (NZ) Trust and ALL Group, are subject to income tax.

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income, as determined under the Trust Constitution, is fully distributed to unit holders, by way of cash or reinvestment. The liability for capital gains tax that may otherwise arise if the Australian properties were sold is not accounted for in these financial statements, as the Trust expects to distribute such amounts to its unit holders.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(t) Tax (continued)

Deferred tax assets are recognised for deductible 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company 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 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.

Ardent Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such investment allowances as tax credits. This means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority, are presented as operating cash flow.

(v) Equity

Incremental costs directly attributable to the issue of new stapled securities or options are recognised directly in equity as a reduction in the proceeds of stapled securities to which the costs relate. Incremental costs directly attributable to the issue of new stapled securities or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Reserves

In accordance with the Trust Constitution, amounts may be transferred from reserves or contributed equity to fund distributions.

(x) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that further economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. Revenue is recognised for the major business activities as follows:

Rendering of services

Revenue from rendering of services including health club memberships, theme park and SkyPoint entry and bowling games is recognised when the outcome can be reliably measured and the service has taken place. Where health club membership is for a fixed period and paid in advance, the revenue has been recognised on a straight-line basis over the membership period. Revenue relating to theme park annual passes is recognised as the passes are used.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(x) Revenue (continued)

Sale of goods

Revenue from sale of goods including merchandise and food and beverage items is recognised when the risks and rewards of ownership have passed to the buyer.

Rental revenue

Rental income represents income earned from the sub-lease of investment properties leased by the Group, and is brought to account on a straight-line basis over the lease term.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(y) Foreign currency translation

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or they are attributable to part of the net investment in a foreign operation.

Foreign operations

Assets and liabilities of foreign controlled entities are translated at exchange rates ruling at reporting date while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign controlled entities are taken directly to the foreign currency translation reserve. On consolidation, exchange differences on loans denominated in foreign currencies, where the loan is considered part of the net investment in that foreign operation, are taken directly to the foreign currency translation reserve. At 30 June 2017, the spot rate used was A\$1.00 = NZ\$1.0500 (2016: A\$1.00 = NZ\$1.0489) and A\$1.00 = US\$0.7692 (2016: A\$1.00 = US\$0.7426). The average spot rate during the year ended 30 June 2017 was A\$1.00 = NZ\$1.0573 (2016: A\$1.00 = NZ\$1.0874) and A\$1.00 = US\$0.7542 (2016: A\$1.00 = US\$0.7272).

(z) Segment information

Segment income, expenditure, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables (net of any related provisions) and investments. Any assets used jointly by segments are allocated based on reasonable estimates of usage.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA before property costs and after property costs. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is looked at after adjusting for pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, onerous lease costs, amortisation of intangible assets and impairment of property, plant and equipment and intangible assets and other non-recurring realised items. As shown in Note 11, these items are excluded from management's definition of core earnings.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(aa) Earnings per stapled security

Basic earnings per stapled security are determined by dividing profit by the weighted average number of ordinary stapled securities on issue during the period.

Diluted earnings per stapled security are determined by dividing the profit by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the period.

(ab) Fair value estimation

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(ac) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(ac) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Goodwill acquired is not deductible for tax.

(ad) Dividends/distributions

Provision is made for the amount of any dividend/distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the reporting date.

(ae) Treasury securities

Own equity instruments that are reacquired (treasury securities) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued to employees under the Group's LTIP and DSTI, is recognised in the share-based payments reserve. Performance rights vesting during the reporting period may be satisfied with treasury securities.

(af) Parent entity financial information

The financial information for the parent entity of the Group (Ardent Leisure Trust) and ALL Group (Ardent Leisure Limited) has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and jointly controlled entities are accounted for at cost in the financial statements of the parent entities. Dividends received from associates and jointly controlled entities are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

Ardent Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Ardent Leisure Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ardent Leisure Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ardent Leisure Limited for any current tax payable assumed and are compensated by Ardent Leisure Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ardent Leisure Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(af) Parent entity financial information (continued)

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Share-based payments

The grant by the parent entity of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ag) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

(ah) Financial assets

Investments held at fair value

The investments held at fair value are classified as available-for-sale (AFS) financial assets. The AFS financial assets include investments in unlisted equity shares. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the Income Statement.

The Group assesses at each reporting date whether there is objective evidence that the investment is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from other comprehensive income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Notes to the Financial Statements

for the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(ai) New accounting standards, amendments and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 1 July 2017 but which the Group has not yet adopted. Based on a review of these standards, the majority of the standards yet to be adopted are not expected to have a significant impact on the financial statements of the Group. The Group's and the parent entity's assessment of the impact of those new standards, amendments and interpretations which may have an impact is set out below:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and may affect the Group's and the ALL Group's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that there should be no material impact on the Group's or the ALL Group's financial statements. The Group and the ALL Group do not intend to adopt AASB 9 before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2019.

AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. The Group is in the process of considering the impact of the new rules on its revenue recognition policies. The Group and the ALL Group do not intend to adopt AASB 15 before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2019.

AASB 16 Leases (effective from 1 January 2019)

The AASB has issued a new standard for leases which applies to accounting periods commencing on or after 1 January 2019. Given the number of properties the Group leases under operating leases, it is expected that the impact of this standard will be significant. Specifically, new assets will be realised (the right to use the leased asset) as well as new liabilities, being the liability to pay rentals. The consolidated Statement of Comprehensive Income will also be affected. The Group will conduct a detailed assessment of the new standard and will assess whether to adopt AASB 16 before its operative date; if not, it would be first applied in the annual reporting period ending 30 June 2020.

Early adoption of standards

The Group and the ALL Group have not elected to apply any pronouncements before their operative date.

(aj) Rounding

The Group has relied on the relief provided by 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 financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

Notes to the Financial Statements for the year ended 30 June 2017

2. Ardent Leisure Trust and Ardent Leisure Limited formation

The Trust was established on 6 February 1998. On 23 December 2005, the Manager executed a supplemental deed poll to amend the Trust Constitution. The amendments removed the 80 year life of the Trust, to enable the units on issue to be classified as equity under Australian Accounting Standards. ALL was incorporated on 28 April 2003. The Manager and ALL entered into the stapling deed effective 1 July 2003.

3. Revenue from operating activities

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Revenue from services	331,938	326,916	331,938	326,916
Revenue from sale of goods	166,101	150,134	166,101	150,134
Other revenue	9	9	9	9
Revenue from operating activities	498,048	477,059	498,048	477,059

4. Borrowing costs

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Borrowing costs paid or payable	12,788	14,987	10,062	10,369
Less: capitalised borrowing costs	(738)	(404)	(491)	(223)
Provisions: unwinding of discount	110	154	-	-
Borrowing costs expensed	12,160	14,737	9,571	10,146

For details of the fair value of borrowings, refer to Note 40(c).

5. Property expenses

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Landlord rent and outgoings	65,977	55,083	80,233	100,370
Insurance	327	371	-	-
Rates	1,191	1,260	-	-
Land tax	682	616	-	-
Increase in onerous lease provisions	218	169	-	-
Other	26	32	-	-
	68,421	57,531	80,233	100,370

Notes to the Financial Statements for the year ended 30 June 2017

6. Net loss from derivative financial instruments

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Unrealised net loss on derivative financial instruments	349	170	-	-
Early termination of interest rate swap	72	-	-	-
	421	170	-	-

7. Management fees

The Manager of the Trust is Ardent Leisure Management Limited.

The Manager's registered office and principal place of business are Level 16, 61 Lavender Street, Milsons Point, NSW 2061.

(a) Base management fee

The management fee is based on an allocation of costs incurred by ALL and its controlled entities to manage the Trust but is eliminated in the aggregated results of the Group.

(b) Management fee calculation

The management fee earned by the Manager during the year is detailed as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Base management fee	-	-	1,200	1,200
	-	-	1,200	1,200

Notes to the Financial Statements for the year ended 30 June 2017

8. Other expenses

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Audit fees	823	797	597	562
Consulting fees	4,058	2,468	4,058	2,357
Consumables	2,964	2,147	2,964	2,147
Custodian fees	80	100	-	-
Electricity	12,983	11,752	12,983	11,752
Fuel and oil	366	517	366	517
Insurance	3,540	3,267	3,540	3,267
Legal fees	989	654	989	654
Merchant fees	6,553	5,446	6,553	5,446
Motor vehicles	541	538	541	538
Permits and fees	3,262	2,786	3,227	2,765
Printing, stationery and postage	2,651	2,326	2,651	2,326
Registry fees	190	181	190	181
Stapled security holder communication costs	169	318	169	318
Stock exchange costs	130	84	130	84
Taxation fees	341	444	244	411
Telephone	3,157	2,245	3,157	2,245
Training	1,144	1,353	1,144	1,353
Travel costs	3,727	2,732	3,727	2,732
Valuation fees	85	113	-	-
Other	790	697	832	659
	48,543	40,965	48,062	40,314

9. Remuneration of auditor

During the financial year, the auditor of the Group, PricewaterhouseCoopers (PwC), earned the following remuneration:

	Consolidated Group 2017 \$	Consolidated Group 2016 \$	ALL Group 2017 \$	ALL Group 2016 \$
Audit and other assurance services - PwC Australia	683,686	615,978	418,401	381,020
Audit and other assurance services - related practices of PwC Australia	257,788	180,812	257,788	180,812
Taxation services - PwC Australia	222,764	28,278	118,828	-
Taxation services - related practices of PwC Australia	264,441	415,641	212,152	411,031
Other services - PwC Australia	103,618	1,550	103,618	1,550
	1,532,297	1,242,259	1,110,787	974,413

Notes to the Financial Statements

for the year ended 30 June 2017

10. Income tax (benefit)/expense

(a) Income tax (benefit)/expense

	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current tax		1,962	(981)	1,826	(1,008)
Deferred tax		(5,421)	10,258	(5,421)	10,258
Under/(over) provided in prior year		127	(581)	403	(576)
		(3,332)	8,696	(3,192)	8,674
Income tax (benefit)/expense is attributable to:					
(Loss)/profit from continuing operations		(5,561)	7,448	(5,421)	7,426
Profit from discontinued operations		2,229	1,248	2,229	1,248
		(3,332)	8,696	(3,192)	8,674
Deferred income tax (benefit)/expense included in income tax expense comprises:					
Increase in deferred tax assets	22	(23,403)	(878)	(23,403)	(878)
Increase in deferred tax liabilities	27	17,982	11,136	17,982	11,136
		(5,421)	10,258	(5,421)	10,258
(b) Numerical reconciliation of income tax (benefit)/expense to prima facie tax expense					
(Loss)/profit from continuing operations before income tax					
(benefit)/expense		(122,047)	35,032	(20,949)	15,815
Profit from discontinued operations before income tax					
expense		56,158	16,051	20,821	3,500
		(65,889)	51,083	(128)	19,315
Less: Loss/(profit) from the trusts ⁽¹⁾		71,113	(44,540)	-	-
Prima facie profit/(loss)		5,224	6,543	(128)	19,315
Tax at the Australian tax rate of 30% (2016: 30%)		1,567	1,963	(38)	5,795
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:					
Impairment of goodwill		235	-	235	-
Entertainment		134	104	134	104
Non-deductible depreciation and amortisation		2,731	3,909	-	-
Sundry items		(210)	358	(286)	410
Employee security-based payments		270	264	270	264
Business acquisition costs		-	(40)	-	(40)
Gain on disposal of health clubs		(9,923)	-	(5,511)	-
Selling costs associated with discontinued operation classified as held for sale		240	-	240	-
Foreign exchange conversion differences		45	24	45	24
US State taxes		878	1,533	878	1,533
Withholding tax		136	3	-	-
Research and development and other credits		(338)	(515)	(338)	(515)
Difference in overseas tax rates		776	1,674	776	1,675
Under/(over) provided in prior year		127	(581)	403	(576)
Income tax (benefit)/expense		(3,332)	8,696	(3,192)	8,674

(1) Profits relating to the trusts are largely distributed to unit holders via distributions and are subject to tax upon receipt of this distribution income by the unit holders.

Notes to the Financial Statements for the year ended 30 June 2017

10. Income tax (benefit)/expense (continued)

(c) Income tax expense/(benefit) relating to items of other comprehensive income

		Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Unrealised gain/(loss) on derivative financial instruments recognised in the cash flow hedge reserve	22, 31	562	(441)	562	(441)
		562	(441)	562	(441)

(d) Unrecognised temporary differences

There were no unrecognised temporary differences as at 30 June 2017 (2016: nil).

(e) Tax consolidation legislation

ALL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005. The accounting policy in relation to this legislation is set out in Note 1(t).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, ALL.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate ALL for any current tax payable assumed and are compensated by ALL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to ALL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are payable upon demand by the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are netted off in the non-current intercompany payables.

11. (Losses)/earnings per security/share

	Consolidated Group 2017	Consolidated Group 2016	ALL Group 2017	ALL Group 2016
Basic (losses)/earnings per security/share (cents) from continuing operations	(24.89)	6.10	(3.32)	1.85
Basic earnings per security/share (cents) from discontinued operations	11.52	3.27	3.97	0.50
Total basic (losses)/earnings per security/share (cents)	(13.37)	9.37	0.65	2.35
Diluted (losses)/earnings per security/share (cents) from continuing operations	(24.84)	6.09	(3.31)	1.85
Diluted earnings per security/share (cents) from discontinued operation	11.50	3.26	3.96	0.50
Total diluted (losses)/earnings per security/share (cents)	(13.34)	9.35	0.65	2.35
Core earnings per security (cents)	2.41	13.79	N/A	N/A
Diluted core earnings per security (cents)	2.41	13.76	N/A	N/A
(Losses)/earnings used in the calculation of basic and diluted earnings per security/share (\$'000)	(62,557)	42,387	3,064	10,641
Earnings used in the calculation of core earnings per security (refer to calculation in table below) (\$'000)	11,287	62,395	N/A	N/A
Weighted average number of stapled securities on issue used in the calculation of basic and core earnings per security/share ('000)	467,938	452,484	467,938	452,484
Weighted average number of stapled securities held by ALL employees under employee share plans (refer to Note 29) ('000)	997	991	997	991
Weighted average number of stapled securities on issue used in the calculation of diluted earnings per security/share ('000)	468,935	453,475	468,935	453,475

Notes to the Financial Statements

for the year ended 30 June 2017

11. (Losses)/earnings per security/share (continued)

(a) Calculation of core earnings

The table below outlines the Manager's adjustments to profit under Australian Accounting Standards to determine the amount the Manager believes should be available for distribution for the current year. The Manager uses this amount as guidance for distribution determination.

Core earnings is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards (statutory profit) adjusted for certain unrealised and non-cash items, reserve transfers and one off realised items. Under the Trust Constitution, the amount distributed to stapled security holders by the Trust is at the discretion of the Manager. Management will use the core earnings calculated for assessing the performance of the Group and as a guide to assessing an appropriate distribution to declare. This measure is considered more relevant than statutory profit as it represents an estimate of the underlying recurring cash earnings of the Group and provides more meaningful comparison between financial years.

The adjustments between profit under Australian Accounting Standards and core earnings may change from time to time depending on changes to accounting standards and the Manager's assessment as to whether non-recurring or infrequent items (such as realised gains on the sale of properties) will be distributed to stapled security holders.

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000
(Loss)/profit used in calculating earnings per stapled security	(62,557)	42,387
<i>Unrealised items</i>		
- Unrealised net loss on derivative financial instruments	349	170
- Valuation gain - investment properties	-	(2,059)
- Valuation loss - property, plant and equipment	88,747	-
- Impairment - property, plant and equipment	145	463
- Impairment - goodwill	783	-
<i>Non-cash items</i>		
- Straight lining of fixed rent increases	1,328	1,909
- IFRS depreciation ⁽¹⁾	9,102	13,029
- Amortisation of health club brands and customer relationship intangible assets	907	4,490
<i>One-off realised items</i>		
- Pre-opening expenses	13,888	8,638
- Business acquisition costs refunded	-	(134)
- Increase/(decrease) in onerous lease provisions	492	(2,193)
- Gain on sale and leaseback of US Entertainment Centres	-	(1,672)
- Loss on closure of Australian Bowling and Entertainment Centres	470	-
- Dreamworld incident costs, net of insurance recoveries	5,389	-
- Gain on sale of discontinued operation	(45,009)	-
- Selling costs associated with discontinued operation classified as held for sale	796	1,047
- Early termination of interest rate swap	72	-
- Other restructuring and one-off expenses	4,139	-
Tax impact of above adjustments	(7,754)	(3,680)
Core earnings	11,287	62,395

(1) IFRS depreciation represents depreciation recorded under Australian Accounting Standards effective 1 July 2005 on property, plant and equipment which were previously classified as investment properties.

Notes to the Financial Statements for the year ended 30 June 2017

12. Distributions and dividends paid and payable

(a) Consolidated Group

The following dividends and distributions were paid and payable by the Group to stapled security holders:

	Dividend cents per stapled security	Distribution cents per stapled security	Total amount \$'000	Distribution tax deferred %	Distribution CGT concession amount %	Distribution Taxable %
2017 dividends and distributions for the half year ended:						
31 December 2016	-	2.00	9,382			
30 June 2017 ⁽¹⁾	-	1.00	4,691			
	-	3.00	14,073	-	46.29	53.71
2016 dividends and distributions for the half year ended:						
31 December 2015	-	7.00	31,377			
30 June 2016 ⁽²⁾	-	5.50	25,467			
	-	12.50	56,844	50.48	-	49.52

(1) The distribution of 1.00 cent per stapled security for the half year ended 30 June 2017 was not declared prior to 30 June 2017. Refer to Note 45.

(2) The distribution of 5.50 cents per stapled security for the half year ended 30 June 2016 was not declared prior to 30 June 2016.

(b) ALL Group

No dividends were paid by the ALL Group during the year (2016: nil).

(c) Franking credits

The tax consolidated group has franking credits of \$1,501,307 (30 June 2016: \$2,468,214). It is the tax consolidated group's intention to distribute these franking credits to security holders where possible.

13. Receivables

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Trade receivables	5,461	13,801	5,461	13,801
Provision for doubtful debts	(94)	(515)	(94)	(515)
	5,367	13,286	5,367	13,286

The Group has recognised an expense of \$437,797 in respect of bad and doubtful trade receivables during the year ended 30 June 2017 (30 June 2016: \$252,912). The expense has been included in other expenses in the Income Statement.

Refer to Note 39(e) for information on the Group's management of, and exposure to, credit risk.

Notes to the Financial Statements

for the year ended 30 June 2017

14. Derivative financial instruments

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current assets				
Forward foreign exchange contracts	-	131	-	-
	-	131	-	-
Non-current assets				
Interest rate swaps	272	113	196	-
	272	113	196	-
Current liabilities				
Forward foreign exchange contracts	41	-	-	-
Interest rate swaps	964	1,202	-	132
	1,005	1,202	-	132
Non-current liabilities				
Interest rate swaps	316	2,937	29	1,283
	316	2,937	29	1,283

(a) Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy US dollars and sell Australian dollars. These contracts total A\$1.4 million (30 June 2016: A\$0.6 million).

The forward contracts do not qualify for hedge accounting and accordingly, changes in fair value of these contracts are recorded in the Income Statement. Notwithstanding the accounting outcome, the Manager considers that these derivative contracts are appropriate and effective in offsetting the economic foreign exchange exposures of the Group.

(b) Interest rate swaps

The Group has entered into interest rate swap agreements totalling \$70.0 million (30 June 2016: \$80.0 million) and US\$55.0 million (30 June 2016: US\$95.0 million) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal and oblige it to pay interest at a fixed rate. The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate. The Group also has forward starting interest rate swaps totalling \$70.0 million (30 June 2016: \$120.0 million) with start dates from June 2018 and maturities up to June 2019.

All interest rate swap agreements qualify as cash flow hedges. Accordingly, the change in fair value of these swaps is recorded in the cash flow hedge reserve. Amounts accumulated in equity are recycled in the Income Statement in the period when the hedged item impacts the Income Statement. Notwithstanding the accounting outcome, the Manager considers that these derivative contracts are appropriate and effective in offsetting the economic foreign exchange exposures of the Group and the ALL Group.

Notes to the Financial Statements for the year ended 30 June 2017

14. Derivative financial instruments (continued)

(b) Interest rate swaps (continued)

The table below shows the maturity profile of the interest rate swaps:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Less than 1 year	70,000	113,292	-	40,399
1 - 2 years	141,503	70,000	71,503	-
2 - 3 years	-	154,064	-	74,064
3 - 4 years	-	-	-	-
4 - 5 years	-	-	-	-
More than 5 years	-	-	-	-
	211,503	337,356	71,503	114,463

15. Inventories

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Goods held for resale	13,372	13,022	13,372	13,022
Provision for diminution	(116)	(20)	(116)	(20)
	13,256	13,002	13,256	13,002

There was \$0.1 million of write-downs of inventories during the year ended 30 June 2017 (30 June 2016: nil).

16. Discontinued operations

(a) Overview

On 19 August 2016, the Group announced its decision to sell the Health Clubs business, with completion occurring on 25 October 2016. The gross consideration of \$260.0 million comprised a cash component of \$230.0 million and deferred consideration of \$30.0 million in the form of vendor loan notes for which payment was received on 13 December 2016. The Health Clubs business, previously a reportable segment, comprised 76 Goodlife health clubs in Queensland, New South Wales, Victoria, South Australia and Western Australia, including 14 in-club Hypoxi studios. The division also included two independent Hypoxi studios in New South Wales and two independent Hypoxi studios in Phoenix, Arizona. Following the sale, the business has been classified as a discontinued operation at 30 June 2017.

On 12 December 2016, the Group announced that it had entered into a put and call option agreement to dispose of its entire interest in the Marinas division for gross proceeds (excluding working capital adjustments) of \$126.0 million. Completion, which was subject to landlord consents for the transfer of the head leases, occurred effective 14 August 2017. The Marinas, previously a reportable segment, comprised seven marinas in New South Wales and Victoria. The sale process incurred transaction costs of approximately \$0.8 million in the period. The associated assets and liabilities have been presented as held for sale and a discontinued operation at 30 June 2017.

Notes to the Financial Statements for the year ended 30 June 2017

16. Discontinued operations (continued)

(b) Financial performance

The financial performance for the year ended 30 June 2017 was as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Revenue	86,808	210,761	86,808	210,753
Expenses	(74,863)	(193,663)	(83,383)	(207,253)
Profit before income tax	11,945	17,098	3,425	3,500
Income tax expense	(2,058)	(1,248)	(2,058)	(1,248)
Profit after income tax of discontinued operation	9,887	15,850	1,367	2,252
Gain on sale of discontinued operation after tax	44,838	-	18,169	-
Costs incurred relating to the sale of discontinued operation currently classified as held for sale	(796)	(1,047)	(944)	-
Profit from discontinued operations	53,929	14,803	18,592	2,252

The sale of the Marinas business was completed subsequent to 30 June 2017 and therefore no gain on sale of the Marinas has been included in the results for the year. Costs incurred associated with the sale of the Marinas at 30 June 2017 were \$0.8 million, which have been recognised as expenses in the Income Statement.

(c) Cash flow information

The cash flows for the year ended 30 June 2017 were as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Net cash inflow from operating activities	12,059	36,333	3,806	23,976
Net cash inflow/(outflow) from investing activities	241,702	(32,824)	193,862	(20,508)
Net cash outflow from financing activities	(740)	(3,232)	(632)	(3,191)
Net increase in cash and cash equivalents	253,021	277	197,036	277

The net cash inflow from investing activities in the Consolidated Group for the year ended 30 June 2017 includes an inflow of \$259.3 million and an outflow of related selling costs of \$6.2 million from the disposal of the Health Clubs business.

The net cash inflow from investing activities in the ALL Group for the year ended 30 June 2017 includes an inflow of \$202.5 million and an outflow of related selling costs of \$5.4 million from the disposal of the Health Clubs business.

Notes to the Financial Statements for the year ended 30 June 2017

16. Discontinued operations (continued)

(d) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2017:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Assets classified as held for sale				
Cash and cash equivalents	4	2	4	2
Receivables	618	652	618	652
Inventories	181	201	181	201
Deferred tax assets	32	104	32	104
Investment properties	108,494	102,838	-	-
Property, plant and equipment	10,473	8,096	2,079	1,474
Other	919	1,047	330	349
Total assets of disposal group held for sale	120,721	112,940	3,244	2,782
Liabilities directly associated with assets classified as held for sale				
Payables	(3,777)	(3,114)	(3,443)	(2,726)
Provisions	(100)	(40)	(100)	(40)
Other	(1,015)	(950)	(1,015)	(950)
Total liabilities of disposal group held for sale	(4,892)	(4,104)	(4,558)	(3,716)

(e) Details of the sale of Health Clubs

(i) Gain on sale

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Consideration received or receivable:				
Cash consideration	260,000	-	203,200	-
Cash payment for working capital adjustments	(416)	-	(416)	-
Total disposal consideration	259,584	-	202,784	-
Selling costs	(6,221)	-	(5,436)	-
Carrying amount of net assets sold	(208,354)	-	(179,008)	-
Gain on sale before income tax	45,009	-	18,340	-
Income tax expense on gain	(171)	-	(171)	-
Gain on sale after income tax	44,838	-	18,169	-

Notes to the Financial Statements for the year ended 30 June 2017

16. Discontinued operations (continued)

(e) Details of the sale of Health Clubs (continued)

(ii) Carrying value of assets on sale

The carrying amount of assets and liabilities as at the 25 October 2016 date of sale were as follows:

	Consolidated Group 25 October 2016 \$'000	ALL Group 25 October 2016 \$'000
Cash and cash equivalents	256	254
Receivables	4,324	4,324
Inventories	1,574	1,574
Property, plant and equipment	82,131	38,070
Intangible assets	151,950	151,950
Deferred tax assets	2,565	2,565
Other	5,051	5,044
Total assets	247,851	203,781
Payables	(30,523)	(21,346)
Provisions	(8,974)	(3,427)
Total liabilities	(39,497)	(24,773)
Net assets	208,354	179,008

17. Property classified as held for sale

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
US Entertainment Centre	13,840	-	13,840	-
	13,840	-	13,840	-

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Opening balance	-	-	-	-
Additions	14,200	-	14,200	-
Foreign exchange movements	(360)	-	(360)	-
Closing balance	13,840	-	13,840	-

The property classified as held for sale relates to a US Entertainment Centre at Pittsburgh, which is under a sale and leaseback arrangement. Completion of the sale occurred on 26 July 2017.

Notes to the Financial Statements

for the year ended 30 June 2017

18. Construction in progress

Construction in progress inventories relate to US Entertainment Centres being constructed by the Group but contractually held for resale under an agreement that the Group has entered into with a third party. Once the Group has satisfied the requirements of the agreement and acceptance of the centre by the third party has occurred, the risks and rewards pass to the third party and a sale is recorded. The costs funded by the third party during the course of construction are recorded as a current liability, construction in progress deposits, and upon acceptance of the centre by the third party, this liability and related construction in progress inventories are settled. Any net realisable value adjustment is recorded in the Income Statement as a gain/loss on sale of the construction in progress inventories.

At 30 June 2017, the Group had agreements for construction of five US Entertainment Centres at North Kansas City, Humble, Knoxville, Suwanee and Gilbert. These agreements set out agreed construction timetables, estimated costs and other key terms, including the right of the third party to exercise a put option and recover deposits advanced to the Group should construction not be completed within agreed timeframes. At 30 June 2017, construction on these sites is well progressed and expected to be completed within 12 months and agreed timeframes.

A reconciliation of the carrying amount of the construction in progress inventories at the beginning and end of the current period is set out below:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Construction in progress inventories				
Carrying amount at the beginning of the period	61,796	-	61,796	-
Additions	58,670	74,868	58,670	74,868
Disposals	(63,985)	(12,176)	(63,985)	(12,176)
Foreign exchange movements	275	(896)	275	(896)
Carrying amount at the end of the period	56,756	61,796	56,756	61,796

A reconciliation of the carrying amount of the construction in progress deposits liability at the beginning and end of the current period is set out below:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Construction in progress deposits				
Carrying amount at the beginning of the period	55,494	-	55,494	-
Deposits received	58,123	68,116	58,123	68,116
Settlements of deposits received	(63,985)	(12,176)	(63,985)	(12,176)
Foreign exchange movements	418	(446)	418	(446)
Carrying amount at the end of the period	50,050	55,494	50,050	55,494

19. Other assets

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Prepayments	4,404	4,608	3,782	4,079
Accrued revenue	685	3,305	685	3,305
	5,089	7,913	4,467	7,384

Notes to the Financial Statements for the year ended 30 June 2017

20. Property, plant and equipment

Consolidated Group

Segment	Note	Cost less accumulated depreciation 2017 \$'000	Cumulative revaluation (decrements) /increments 2017 \$'000	Consolidated book value 2017 \$'000	Cost less accumulated depreciation 2016 \$'000	Cumulative revaluation increments/ (decrements) 2016 \$'000	Consolidated book value 2016 \$'000
Australian Theme Parks	(1) (2) (3)	223,361	(36,922)	186,439	219,927	47,806	267,733
Australian Bowling and Entertainment Centres	(4)	119,712	1,191	120,903	104,131	1,191	105,322
US Entertainment Centres		327,445	-	327,445	223,732	(86)	223,646
Health Clubs	(5)	-	-	-	84,711	-	84,711
Other		1,653	-	1,653	2,347	-	2,347
Total		672,171	(35,731)	636,440	634,848	48,911	683,759

- (1) The book value of Dreamworld and WhiteWater World land and buildings and major rides and attractions (including intangible assets of \$1.2 million (30 June 2016: \$1.6 million) and livestock of \$0.3 million (30 June 2016: \$0.2 million)) is \$151.8 million (30 June 2016: \$235.0 million). In an independent valuation performed at 30 June 2017 by Jones Lang LaSalle Advisory Services Pty Limited, the fair value for these assets was assessed to be in the range of \$146.0 - \$154.0 million (30 June 2016: \$235.0 million). Having regard to independent advice, the Directors have assessed the fair value of those assets to be \$151.8 million and have valued other property, plant and equipment of Dreamworld and WhiteWater World at 30 June 2017 at \$0.1 million (30 June 2016: \$0.2 million). Refer to additional Australian Theme Parks valuation information below.
- (2) The excess land adjacent to Dreamworld has been valued by the Directors at \$3.6 million (2016: \$3.6 million).
- (3) The book value of SkyPoint (including intangible assets of \$3.6 million (30 June 2016: \$3.6 million)) is \$36.0 million (30 June 2016: \$34.3 million). In an independent valuation performed at 30 June 2017 by Jones Lang LaSalle Advisory Services Pty Limited, the fair value for SkyPoint was assessed to be \$36.0 million.
- (4) At 30 June 2017, the Directors assessed the fair value of the one remaining freehold building to be \$1.6 million (30 June 2016: \$1.6 million). The freehold building was last independently valued at 30 June 2016 at \$1.6 million.
- (5) The property, plant and equipment relating to health clubs was sold during the year – refer to Note 16.

Refer to Note 40b) for information on the valuation techniques used to derive the fair value of the Australian Theme Parks.

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the current and previous years is set out below:

	Land and buildings \$'000	Major rides and attractions \$'000	Plant and equipment \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated Group - 2017						
Carrying amount at the beginning of the year	348,200	65,066	256,987	13,216	290	683,759
Additions	96,858	1,400	90,216	2,487	150	191,111
Disposal relating to the sale of health clubs	(54,268)	-	(24,052)	(3,790)	(21)	(82,131)
Reclassification of asset categories	(491)	(79)	570	-	-	-
Transfer to intangible assets	(400)	-	-	-	-	(400)
Disposals	(1,470)	(890)	(1,670)	(130)	(17)	(4,177)
Depreciation	(11,753)	(1,389)	(35,535)	(2,571)	(51)	(51,299)
Foreign exchange movements	(3,462)	-	(6,852)	(2)	-	(10,316)
Revaluation decrements	(89,962)	-	-	-	-	(89,962)
Impairment	(145)	-	-	-	-	(145)
Carrying amount at the end of the year	283,107	64,108	279,664	9,210	351	636,440

Notes to the Financial Statements for the year ended 30 June 2017

20. Property, plant and equipment (continued)

	Land and buildings \$'000	Major rides and attractions \$'000	Plant and equipment \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated Group - 2016						
Carrying amount at the beginning of the year	330,577	65,202	196,618	17,037	248	609,682
Additions	41,558	1,378	101,011	2,078	270	146,295
Acquired through business combinations	-	-	667	-	-	667
Transfer from investment properties	3,586	-	-	-	-	3,586
Reclassified as assets held for sale	(1,632)	-	(4,679)	(1,759)	(26)	(8,096)
Disposals	(22,616)	(1)	(1,483)	(21)	(109)	(24,230)
Depreciation	(16,310)	(1,513)	(35,877)	(4,128)	(93)	(57,921)
Foreign exchange movements	2,966	-	730	9	-	3,705
Revaluation increments	10,534	-	-	-	-	10,534
Impairment	(463)	-	-	-	-	(463)
Carrying amount at the end of the year	348,200	65,066	256,987	13,216	290	683,759

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
ALL Group - 2017			
Carrying amount at the beginning of the year	88,962	198,099	287,061
Additions	67,342	103,598	170,940
Disposal relating to the sale of health clubs	(10,526)	(27,544)	(38,070)
Transfer to intangible assets	(400)	-	(400)
Disposals	(251)	(932)	(1,183)
Depreciation	(2,600)	(31,023)	(33,623)
Foreign exchange movements	(3,436)	(6,819)	(10,255)
Reversal of impairment	117	-	117
Carrying amount at the end of the year	139,208	235,379	374,587

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
ALL Group - 2016			
Carrying amount at the beginning of the year	86,833	126,767	213,600
Additions	25,050	102,931	127,981
Acquired through business combinations	-	667	667
Transfer to assets held for sale	(2)	(1,472)	(1,474)
Disposals	(22,612)	(352)	(22,964)
Depreciation	(3,071)	(31,080)	(34,151)
Foreign exchange movements	2,922	638	3,560
Impairment	(158)	-	(158)
Carrying amount at the end of the year	88,962	198,099	287,061

Notes to the Financial Statements for the year ended 30 June 2017

20. Property, plant and equipment (continued)

(a) Australian Theme Parks valuation

On 25 October 2016, an incident on the Thunder River Rapids ride at Dreamworld resulted in four fatalities at the theme park. The park and adjoining WhiteWater World were subsequently closed for 45 days. On 10 December 2016, the parks were reopened following successful completion of a multi-tiered mechanical and operational safety review with all WhiteWater World slides, pools and cabanas and several of Dreamworld's rides and attractions operational at that date. Dreamworld's other rides were progressively reopened as they were signed off as part of the safety review process.

The impact of the incident, subsequent closure of the parks and progressive re-opening of rides, negatively impacted attendance and revenues. As a result, the Group has recognised a revaluation decrement to the property, plant and equipment of Dreamworld and WhiteWater World of \$91.7 million, of which \$88.7 million has been recognised in the Income Statement and \$3.0 million has been recognised in reserves.

At 30 June 2017, the valuation of Dreamworld and WhiteWater World has been determined in accordance with AASB 13 *Fair Value Measurement* which defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants. This Standard requires that the valuation take account of the benefits attainable under the highest and best use, provided that any alternate uses are physically possible, legally permissible and financially feasible. Under the Standard, uses that are legally permissible take into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (eg the zoning regulations applicable to a property).

As noted in the financial statements for the half year ended 31 December 2016, in determining fair value at 31 December 2016 (the first reporting date after the incident), the Group undertook an extensive process including engagement of a number of independent external specialists including:

- A Gold Coast town planning consultant to evaluate possible alternate uses of the land under the current and recently superseded Gold Coast Town Plans. This confirmed that highest and best use under the Plans to be its current use;
- A land valuation specialist to determine the base valuation of the land considering the findings of the town planning consultant;
- Jones Lang LaSalle valuation specialists to undertake a valuation assessment of the property. In determining the valuation, the valuer considered:
 - Management forecasts for the parks for FY17 and FY18, including the necessary estimation of the financial impact created by the Thunder River Rapids ride incident;
 - Work undertaken by the town planning analysis and land valuation specialist; and
 - Impact of the incident on investment parameters, including capitalisation rates and discount rates; and
- A leading international accounting firm to review the process, key assumptions and sensitivities underlying management forecasts provided to the JLL valuer and the key valuation assumptions and conclusions of the JLL valuation specialist.

At 30 June 2017, the Group has again engaged independent valuation specialists from Jones Lang LaSalle to undertake a valuation assessment of the property. In determining the valuation, the valuer has considered the work undertaken at 31 December 2016 and reviewed management's updated forecasts in light of the parks' actual performance in the second half of the year.

The significant unobservable inputs associated with the valuation of the Dreamworld and WhiteWater World valuation at 30 June 2017 are as follows:

	June 2017	June 2016
Capitalisation rate	12.25%	9.50%
Discount rate	14.75% - 15.25%	13.25% - 13.50%
Terminal yield	12.25% - 12.75%	10.50% - 10.75%
FY18 (year one) EBITDA (\$'000)	9,170	31,652

In addition, the valuer has assumed a gradual recovery of attendances to FY16 (pre-incident) levels over the next four years, with FY18 attendances estimated to be approximately 84% of FY16 levels.

In preparing the valuation assessment, the independent valuer has noted the material valuation uncertainty which exists both in terms of market disruption (e.g. liquidity) and availability of inputs (e.g. cash flows, discount rates and capitalisation rates) which could impact the valuation of these assets.

As noted above, in accordance with AASB 13, the valuation reflects current zoning restrictions on the main Dreamworld and WhiteWater World site. As noted in footnote (2) on page 69, the excess land adjacent to this site has been valued by the Directors at \$3.6 million (2016: \$3.6 million). The Group is currently reviewing optimal uses and zoning of the excess land and other unused surplus land on the main Dreamworld and WhiteWater World site, which have the potential to deliver upside to this valuation.

Notes to the Financial Statements for the year ended 30 June 2017

20. Property, plant and equipment (continued)

(a) Australian Theme Parks valuation (continued)

The sensitivity of the fair values of the investment properties and land and buildings in relation to the significant unobservable inputs is set out in the table below:

	Capitalisation rate (%)	Discount rate (%)	Terminal Yield (%)	FY18 (year one) EBITDA
Fair value measurement sensitivity to 0.5% increase in rate	- \$6.0 million	- \$5.1 million	- \$2.5 million	N/A
Fair value measurement sensitivity to 0.5% decrease in rate	+ \$6.5 million	+ \$5.3 million	+ \$2.7 million	N/A
Fair value measurement sensitivity to 10.0% increase in assumed FY18 attendance levels	N/A	N/A	N/A	+ \$2.6 million
Fair value measurement sensitivity to 10.0% decrease in assumed FY18 attendance levels	N/A	N/A	N/A	- \$2.6 million

When calculating the income capitalisation approach, EBITDA has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

There are no other significant inter-relationships between unobservable inputs that materially affect the fair value.

21. Intangible assets

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Customer relationships at cost	-	35,948	-	35,948
Accumulated amortisation	-	(33,746)	-	(33,746)
	-	2,202	-	2,202
Brands at cost	-	12,392	-	12,392
Accumulated amortisation	-	(6,677)	-	(6,677)
	-	5,715	-	5,715
Other intangible assets at cost	21,364	15,203	19,936	13,775
Accumulated amortisation	(7,748)	(5,024)	(6,320)	(3,596)
	13,616	10,179	13,616	10,179
Goodwill at cost	95,452	239,731	95,452	239,731
Accumulated impairment	(12,481)	(11,698)	(12,481)	(11,698)
	82,971	228,033	82,971	228,033
Total intangible assets	96,587	246,129	96,587	246,129

Notes to the Financial Statements

for the year ended 30 June 2017

21. Intangible assets (continued)

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Customer relationships				
Opening net book amount	2,202	5,549	2,202	5,549
Additions	-	13	-	13
Disposals	(1,652)	-	(1,652)	-
Amortisation	(550)	(3,360)	(550)	(3,360)
Closing net book amount	-	2,202	-	2,202
Brands				
Opening net book amount	5,715	6,766	5,715	6,766
Additions	-	34	-	34
Disposals	(5,328)	-	(5,328)	-
Amortisation	(359)	(1,131)	(359)	(1,131)
Foreign exchange movements	(28)	46	(28)	46
Closing net book amount	-	5,715	-	5,715
Other intangible assets				
Opening net book amount	10,179	5,477	10,179	5,477
Additions	8,530	7,002	8,530	7,002
Transfer from property, plant and equipment	400	-	400	-
Disposals	(2,640)	-	(2,640)	-
Amortisation	(2,724)	(2,250)	(2,724)	(2,250)
Foreign exchange movements	(129)	(50)	(129)	(50)
Closing net book amount	13,616	10,179	13,616	10,179
Goodwill				
Opening net book amount	228,033	225,152	228,033	225,152
Additions	-	857	-	857
Disposals	(142,432)	-	(142,432)	-
Impairment	(783)	-	(783)	-
Foreign exchange movements	(1,847)	2,024	(1,847)	2,024
Closing net book amount	82,971	228,033	82,971	228,033
Total intangible assets	96,587	246,129	96,587	246,129

(a) Customer relationships

Customer relationships relate to the relationships with health club members which were acquired as part of the various acquisitions of health clubs, and have been disposed as part of the disposal of the Health Clubs business (refer to Note 16).

(b) Brands

The brands relate to the Goodlife brand acquired in September 2007 along with the distribution and franchise agreements for the use of the Hypoxi brand in March 2014, and have been disposed as part of the disposal of the Health Clubs business (refer to Note 16).

(c) Other intangible assets

Other intangible assets represent registered trademarks associated with Dreamworld operations, intellectual property associated with liquor licences held by the bowling centres and software built across all the business units in the Group.

(d) Goodwill

Goodwill represents goodwill acquired by the Group as part of various acquisitions. The movement in goodwill at cost in the period is due to the disposal of the Health Clubs business (refer to Note 16), an impairment write-off to goodwill at Dreamworld and WhiteWater World subsequent to the Thunder River Rapids ride incident on 25 October 2016, and the movement in the USD:AUD foreign exchange rate.

Notes to the Financial Statements for the year ended 30 June 2017

21. Intangible assets (continued)

(d) Goodwill (continued)

Goodwill is monitored by management at the operating segment level. Management reviews the business performance based on geography and type of business. The Group has five reportable segments as disclosed in Note 38.

A segment level summary of the goodwill allocation is presented below:

Consolidated Group and ALL Group

2017	Australia \$'000	United States \$'000	New Zealand \$'000	Total \$'000
Australian Theme Parks	3,583	-	-	3,583
Marinas	-	-	-	-
Australian Bowling and Entertainment Centres	21,127	-	3,734	24,861
US Entertainment Centres	-	54,527	-	54,527
	24,710	54,527	3,734	82,971

2016	Australia \$'000	United States \$'000	New Zealand \$'000	Total \$'000
Australian Theme Parks	4,366	-	-	4,366
Australian Bowling and Entertainment Centres	21,127	-	3,739	24,866
US Entertainment Centres	-	56,369	-	56,369
Health Clubs	142,432	-	-	142,432
	167,925	56,369	3,739	228,033

(i) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment and country of operation.

Key assumptions used for value in use calculations

The table below shows the key assumptions used in the value in use calculations to test for impairment in the business segments to which a significant amount of goodwill was allocated:

	Budget/forecast EBITDA period growth rate		Long term EBITDA growth rate ⁽¹⁾		Post-tax discount rate ⁽²⁾	
	2017	2016	2017	2016	2017	2016
	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Australian Theme Parks ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
Australian Bowling and Entertainment Centres	2.00	2.00	2.00	2.00	7.68	7.65
US Entertainment Centres	2.00	3.00	2.00	3.00	7.30	6.89

(1) Average growth rate used to extrapolate cash flows beyond the budget/forecast period.

(2) In performing the value in use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. Pre-tax discount rates are 7.87% (2016: 8.19%) for Australian Bowling and Entertainment Centres and 8.69% (2016: 8.30%) for US Entertainment Centres.

(3) All non-current assets in the Australian Theme Parks division are already held at fair value at 30 June 2017 and were independently valued by Jones Lang LaSalle (refer to Note 20). As a result, no impairment testing is required at 30 June 2017.

The period over which management has projected the CGU cash flows is based upon the individual CGU's lease term available. These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are post-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2018-2021 financial year budgets/forecasts. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

Notes to the Financial Statements

for the year ended 30 June 2017

21. Intangible assets (continued)

(d) Goodwill (continued)

(i) Impairment tests for goodwill (continued)

Sensitivity to changes in assumptions

Management recognises that the calculation of recoverable amount can vary based on the assumptions used to project or discount cash flows and those changes to key assumptions can result in recoverable amounts falling below carrying amounts.

In relation to the CGUs above, the recoverable amounts of Australian Bowling and Entertainment Centres and US Entertainment Centres are all well in excess of their carrying amounts.

The Directors consider that the growth rates are reasonable, and do not consider a change in any of the other key assumptions would cause the CGUs' carrying amount to exceed their recoverable amount to be reasonably possible.

22. Deferred tax assets

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Doubtful debts	42	154	42	154
Employee benefits	5,415	6,032	5,415	6,032
Provisions and accruals	1,613	3,284	1,613	3,284
Depreciation of property, plant and equipment	-	1,398	-	1,398
Inventory diminution	100	50	100	50
Deferred income	124	119	124	119
Unrealised foreign exchange losses	15	8	15	8
Difference in overseas tax rates	-	26	-	26
Lease incentives	8,718	4,701	8,718	4,701
Tax losses	18,231	-	18,231	-
Other	17	452	17	452
Deferred tax assets	34,275	16,224	34,275	16,224
Set-off of deferred tax balances pursuant to set-off provisions				
Australia	(1,146)	(3,057)	(1,146)	(3,057)
United States	(21,580)	(7,170)	(21,580)	(7,170)
Net deferred tax assets	11,549	5,997	11,549	5,997
Movements				
Balance at the beginning of the year	16,224	15,066	16,224	15,066
Credited to the Income Statement (refer to Note 10)	23,403	878	23,403	878
Reclassified as assets held for sale (refer to Note 16(d))	-	(165)	-	(165)
(Debited)/credited to cash flow hedge reserve (refer to Note 31)	(562)	441	(562)	441
Disposal of Health Clubs business	(4,790)	4	(4,790)	4
Balance at the end of the year	34,275	16,224	34,275	16,224
Deferred tax assets to be recovered within 12 months	6,733	8,587	6,733	8,587
Deferred tax assets to be recovered after more than 12 months	27,542	7,637	27,542	7,637
	34,275	16,224	34,275	16,224

Notes to the Financial Statements for the year ended 30 June 2017

22. Deferred tax assets (continued)

(a) Tax losses

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Unused capital tax losses for which no deferred tax asset has been recognised	32,952	-	32,952	-
Potential tax benefit at 30%	9,886	-	9,886	-

The unused capital tax losses were realised on sale of the Health Clubs business in October 2016 and can only be used to offset capital gains occurring in the future. See Note 1(t) for information about recognised tax losses.

23. Payables

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current				
Custodian fee	34	47	-	-
Interest payable	538	513	369	180
GST payable	98	1,617	34	1,619
Trade creditors	14,089	17,143	14,089	17,143
Payable to the Trust	-	-	602	1,414
Property expenses payable	1,094	1,001	-	-
Employee equity plans	105	107	1,542	1,742
Employee benefits	16,232	20,785	16,232	20,785
Deferred income	4,726	8,422	4,726	8,422
Straight-line rent liability	9,327	18,699	2,154	4,642
Lease incentive liabilities	23,576	14,155	23,576	14,155
Property tax payable	3,935	2,456	3,935	2,456
Capital expenditure including construction in progress inventories payable	15,811	6,833	15,811	7,014
Other creditors and accruals	13,395	14,629	13,301	14,127
Total payables	102,960	106,407	96,371	93,699

24. Interest bearing liabilities

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current				
Bank loan - term debt ⁽¹⁾	54,466	-	-	-
Total current	54,466	-	-	-
Non-current				
Bank loan - term debt	178,793	314,944	157,793	148,869
Less: amortised costs - bank loan	(632)	(2,041)	(290)	(1,002)
Loans from the Trust ⁽²⁾	-	-	61,341	128,221
Total interest bearing liabilities	232,627	312,903	218,844	276,088

(1) Further information relating to the term debt classified as current is included in Note 24(b)(i).

(2) Further information relating to these loans is included in Note 37(g).

The term debt is secured by mortgages over all freehold property, leasehold mortgages over key bowling centre and marina leases, registered security interests over all present and after acquired property of key Group companies, and pledged interests over all US property.

Notes to the Financial Statements for the year ended 30 June 2017

24. Interest bearing liabilities (continued)

The terms of the debt also impose certain covenants on the Group as follows:

- Debt serviceability ratio, being the ratio of debt to EBITDA adjusted for unrealised and one off items (adjusted EBITDA);
- Fixed charge cover ratio, being the ratio of adjusted EBITDA to fixed rent and interest charges; and
- Capital expenditure.

(a) Total secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for borrowings are as follows::

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current				
<i>Mortgage</i>				
Assets classified as held for sale	108,494	102,838	-	-
	108,494	102,838	-	-
<i>Floating charge</i>				
Cash and cash equivalents	10,842	9,070	9,352	8,391
Receivables	5,586	13,286	5,586	13,286
Derivative financial instruments	-	131	-	-
Inventories	13,256	13,002	13,256	13,002
Current tax receivables	-	3,275	-	3,275
Assets classified as held for sale	12,227	10,102	3,244	2,782
Construction in progress inventories	56,756	61,796	56,756	61,796
US Entertainment Centres classified as held for sale	13,840	-	13,840	-
Other	5,089	7,913	4,467	7,384
	117,596	118,575	106,501	109,916
Total current assets	226,090	221,413	106,501	109,916
Non-current				
<i>Mortgage</i>				
Land and buildings	282,888	348,200	138,989	88,962
	282,888	348,200	138,989	88,962
<i>Floating charge</i>				
Plant and equipment	353,333	335,559	235,379	198,099
Investments held at fair value	3,201	-	3,201	-
Derivative financial instruments	272	113	196	-
Livestock	293	221	293	221
Intangible assets	13,616	18,096	13,616	18,096
	370,715	353,989	252,685	216,416
Total non-current assets	653,603	702,189	391,674	305,378
Total assets	879,693	923,602	498,175	415,294

Notes to the Financial Statements for the year ended 30 June 2017

24. Interest bearing liabilities (continued)

(b) Credit facilities

As at 30 June 2017, the Group had unrestricted access to the following credit facilities:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
A\$ syndicated facilities	133,334	200,000	-	-
Amount used	(75,466)	(142,433)	-	-
Amount unused	57,868	57,567	-	-
US\$ syndicated facilities	249,610	377,054	230,574	350,121
Amount used	(157,793)	(172,511)	(157,793)	(148,869)
Amount unused	91,817	204,543	72,781	201,252
Trust facilities	-	-	141,958	226,933
Amount used	-	-	(61,341)	(128,221)
Amount unused	-	-	80,617	98,712
Total facilities	382,944	577,054	372,532	577,054
Total amount used	(233,259)	(314,944)	(219,134)	(277,090)
Total amount unused	149,685	262,110	153,398	299,964

(i) Consolidated Group

The Group has access to A\$133.3 million (30 June 2016: A\$200.0 million) syndicated facilities and US\$192.0 million (A\$249.6 million) (30 June 2016: US\$280.0 million (A\$377.1 million)) syndicated facilities. A\$66.7 million (2016: A\$66.7 million) will mature on 10 August 2019 and A\$66.7 million has been cancelled following the sale of Marinas in August 2017. US\$68.3 million (2016: US\$93.3 million) of the USD facilities will mature on 10 August 2018, US\$93.3 million (2016: US\$93.3 million) will mature on 10 August 2019 and US\$30.3 million (2016: US\$93.3 million) will mature on 10 August 2020.

All of the facilities have a variable interest rate. As detailed in Note 14, the interest rates on the loans are partially fixed using interest rate swaps. The weighted average interest rates payable on the loans at 30 June 2017, including the impact of the interest rate swaps, are 5.39% per annum for AUD denominated debt (30 June 2016: 4.32% per annum) and 3.19% per annum for USD denominated debt (30 June 2016: 2.37% per annum).

(ii) ALL Group

Subject to the Trust loan facilities conditions being met, the facilities may be drawn down with two business days' notice.

Australian dollar Trust loan facilities totalling \$82.2 million (30 June 2016: \$200.0 million) have a maturity date of 10 August 2018. In addition, the ALL Group has US\$45.9 million (A\$59.7 million) (30 June 2016: US\$20.0 million (A\$26.9 million)) facilities with the Trust maturing on 26 October 2019.

The ALL Group has access to US\$177.4 million (A\$230.6 million) (30 June 2016: US\$260.0 million (A\$350.1 million)) syndicated facilities. US\$53.7 million (2016: US\$73.3 million) of the facilities will mature on 10 August 2018, US\$93.3 million (2016: US\$93.3 million) will mature on 10 August 2019 and US\$30.3 million (2016: US\$93.3 million) will mature on 10 August 2020.

Information about the Group's exposure to foreign exchange risk and interest rates is provided in Note 39.

Notes to the Financial Statements for the year ended 30 June 2017

25. Provisions

(a) Distributions to stapled security holders

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Opening balance	-	-	-	-
Distributions/dividends declared	34,849	55,705	-	-
Distributions/dividends paid	(25,564)	(14,465)	2,619	10,979
Distributions reinvested	(9,285)	(41,240)	(2,619)	(10,979)
Closing balance	-	-	-	-

A provision for the distribution relating to the half year to 30 June 2017 was not recognised as the distribution had not been declared at the reporting date. Refer to Note 45.

(b) Other provisions

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Current				
Employee benefits	2,631	3,871	2,631	3,871
Sundry ⁽¹⁾	342	158	342	158
Total current	2,973	4,029	2,973	4,029
Non-current				
Employee benefits	1,009	1,262	1,009	1,262
Property onerous lease contracts	580	2,030	-	382
Property make good obligations	6,006	11,695	1,754	2,770
Total non-current	7,595	14,987	2,763	4,414
Total provisions	10,568	19,016	5,736	8,443
Movements in sundry provisions				
Carrying amount at the beginning of the year	158	189	158	189
Additional provisions recognised	483	292	483	292
Amounts utilised	(299)	(323)	(299)	(323)
Carrying amount at the end of the year	342	158	342	158

(1) Sundry provisions include insurance excess/deductible amounts for public liability insurance, fringe benefits tax provisions and other royalty provisions.

The current provision for employee benefits includes accrued long service leave which covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. This is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. These employee benefits are actively monitored by management and therefore, the Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Notes to the Financial Statements for the year ended 30 June 2017

26. Other liabilities

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Security deposits	2,675	1,985	2,675	1,985
	2,675	1,985	2,675	1,985

27. Deferred tax liabilities

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Intangible assets	-	2,355	-	2,355
Prepayments	530	385	530	385
Accrued revenue	143	81	143	81
Depreciation of property, plant and equipment	58,849	40,944	58,849	40,944
Deferred tax liabilities	59,522	43,765	59,522	43,765
Set-off deferred tax balances pursuant to set-off provisions				
Australia	(1,146)	(3,057)	(1,146)	(3,057)
United States	(21,580)	(7,170)	(21,580)	(7,170)
Net deferred tax liabilities	36,796	33,538	36,796	33,538
Movements				
Balance at the beginning of the year	43,765	32,686	43,765	32,686
Charged to the Income Statement (refer to Note 10)	17,982	11,136	17,982	11,136
Reclassified as liabilities directly associated with assets held for sale	-	(61)	-	(61)
Disposal of Health Clubs business	(2,225)	4	(2,225)	4
Balance at the end of the year	59,522	43,765	59,522	43,765
Deferred tax liabilities to be settled within 12 months	633	383	633	383
Deferred tax liabilities to be settled after more than 12 months	58,889	43,382	58,889	43,382
	59,522	43,765	59,522	43,765

Notes to the Financial Statements for the year ended 30 June 2017

28. Contributed equity

No. of securities/shares	Details	Date of income entitlement	Note	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
442,322,106	Securities/shares on issue	30 Jun 2015			605,181		155,262
19,377,615	DRP issue	1 Jul 2015	(a)		41,240		10,979
1,339,895	Security-based payments - securities/shares issued	1 Jul 2015	(b)		3,377		880
-	Issue costs paid				(78)		(21)
463,039,616	Securities/shares on issue	30 Jun 2016		649,720	649,720	167,100	167,100
4,812,776	DRP issue	1 Jul 2016	(a)	9,285		2,619	
1,300,892	Security-based payments - securities/shares issued	1 Jul 2016	(b)	3,483		991	
-	Issue costs paid			(38)		(11)	
469,153,284	Securities/shares on issue	30 Jun 2017		662,450	649,720	170,699	167,100

(a) Distribution Reinvestment Plan (DRP) issues

The Group has established a DRP under which stapled security holders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than being paid in cash. The discount available on stapled securities issued under the DRP is 2.0% on the market price. The DRP will not be in operation for the distribution for the half year ended 30 June 2017 and was not in operation for the distribution for the half year ended 31 December 2016.

(b) Security-based payments

The Group has Deferred Short Term Incentive Plan and Long Term Incentive Plan remuneration arrangements under which performance rights are issued to certain management and other personnel within the Group as part of their remuneration arrangements. These performance rights are subject to vesting conditions as set out in Note 29. Upon vesting, the Group issues stapled securities to these personnel.

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments

(a) Deferred Short Term Incentive Plan (DSTI)

Plan name	DSTI
Who can participate?	All employees are eligible for participation at the discretion of the Board; however, Non-Executive Directors do not participate in the DSTI.
Types of securities issued	Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.
Treatment of non-Australian residents	For employees who are not Australian residents, the DSTI historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same tenure hurdles.
What restrictions are there on the securities?	Performance rights are non-transferable.
When can the securities vest?	The plan contemplates that the performance rights will vest equally one year and two years following the grant date.
What are the vesting conditions?	Plan performance rights will normally vest only if the participant remains employed by the Group (and is not under notice terminating the contract of employment from either party) as at the relevant vesting date.

(i) Equity settled security-based payments

Since the DSTI was approved in July 2010, incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI, participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date. The first set of performance rights were granted under the DSTI on 16 December 2010, with the first possible vesting date being the day after the full year financial results announcement for the year ended 30 June 2011. A total of 697,239 performance rights vested on 25 August 2016 and a corresponding number of stapled securities were issued to employees under the terms of the DSTI (2016: 384,988).

The characteristics of the DSTI indicate that, at the Ardent Leisure Group level, it is an equity settled security-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the DSTI's service criteria.

Fair value

The fair value of equity settled performance rights granted under the DSTI is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of each grant of performance rights is determined at grant date using a binomial tree valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each financial period takes into account the most recent estimate.

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments (continued)

(a) Deferred Short Term Incentive Plan (DSTI) (continued)

(ii) Cash settled security-based payments

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the DSTI were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested was multiplied by the Group stapled security volume weighted average price (VWAP) for the five trading days immediately following the vesting date and an equivalent cash payment was made. Due to the nature of the scheme, this was considered to be a cash settled share-based payment under AASB 2.

All performance rights issued after 1 July 2014 to US employees are to be settled in equity upon vesting. As such, these performance rights are considered to be equity settled share-based payments under AASB 2.

ALL is considered to be a subsidiary of the Trust, therefore in the financial statements of the ALL Group the DSTI is accounted for as a cash settled security-based payment.

Fair value

The fair value of cash settled performance rights granted under the DSTI is determined at grant date and each reporting date using a binomial tree valuation model. This is recorded as a liability with the movement in the fair value of the financial liability being recognised in the Income Statement.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate.

(iii) Valuation inputs

For the performance rights outstanding at 30 June 2017, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2017:

Grant	2015	2016
Grant date	18 August 2015	23 August 2016
Vesting date – year 1	31 August 2016	31 August 2017
Vesting date – year 2	31 August 2017	31 August 2018
Average risk free rate	1.90% per annum	1.40% per annum
Expected price volatility	34.5% per annum	40.0% per annum
Expected distribution yield	5.7% per annum	5.0% per annum
Stapled security price at grant date	\$2.18	\$2.50
Valuation per performance right on issue	\$2.00	\$2.32

The table below shows the fair value of the performance rights in each grant as at 30 June 2017 as well as the factors used to value the performance rights as at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2017:

Grant	2015	2016
Grant date	18 August 2015	23 August 2016
Vesting date – year 1	31 August 2016	31 August 2017
Vesting date – year 2	31 August 2017	31 August 2018
Average risk free rate	1.80% per annum	1.80% per annum
Expected price volatility	45.0% per annum	45.0% per annum
Expected distribution yield	1.6% per annum	1.6% per annum
Stapled security price at year end	\$1.88	\$1.88
Valuation per performance right at year end	\$1.87	\$1.86

Grants of performance rights are made annually with the grant date being the date of the issue of the offer letters to employees. Although the grant date may vary from year to year, the testing period (subject to any hurdles) remains constant with the vesting date being 24 hours immediately following the announcement of the Group's full year financial results.

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments (continued)

(a) Deferred Short Term Incentive Plan (DSTI) (continued)

(iv) Tenure hurdle

The vesting of the performance rights is subject to a tenure hurdle and participants must remain employed by the Group (and not be under notice terminating the contract of employment from either party) as at the relevant vesting date.

The number of rights outstanding and the grant dates of the rights are shown in the tables below:

	Consolidated Group 2017	Consolidated Group 2016	ALL Group 2017	ALL Group 2016
Performance rights issued to participating executives:				
Performance rights	722,966	791,724	722,966	791,724

Grant date	Expiry date	Exercise price	Valuation per right	Balance at beginning of the year	Granted	Exercised	Failed to vest	Cancelled	Balance at the end of the year
19 Aug 2014	25 Aug 2016	nil	280.8 cents	147,441	-	(147,441)	-	-	-
18 Aug 2015	31 Aug 2017	nil	199.7 cents	644,283	-	(393,306)	-	(9,536)	241,441
23 Aug 2016	31 Aug 2018	nil	231.8 cents	-	693,535	(154,381)	-	(57,629)	481,525
				791,724	693,535	(695,128)	-	(67,165)	722,966

The rights have an average maturity of six months.

(b) Long Term Incentive Plan (LTIP)

Plan name	LTIP
Who can participate?	All employees are eligible for participation at the discretion of the Board; however, Non-Executive Directors do not participate in the LTIP.
Types of securities issued	Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.
Treatment of non-Australian residents	For employees who are not Australian residents, the LTIP historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same performance and tenure hurdles.
What restrictions are there on the securities?	Performance rights are non-transferable.
When can the securities vest?	The plan contemplates that the performance rights will vest equally two, three and four years following the grant date, subject to meeting the total shareholder return (TSR) and internal compound earnings per security (EPS) performance hurdles. The weighting between the two hurdles will be split as follows: <ul style="list-style-type: none"> • TSR – 50%; and • EPS – 50%.

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments (continued)

(b) Long Term Incentive Plan (LTIP) (continued)

Plan name	LTIP
What are the vesting conditions?	<p>For grants made after 1 July 2014, in order for any or all of the performance rights to vest one or both of the following hurdles must be met:</p> <ul style="list-style-type: none"> • TSR performance hurdle - the Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark group for the same period. A sliding scale of vesting applies above the 50th percentile threshold with maximum vesting achieved at the 75th percentile; and • EPS performance hurdle - the Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above the 5% threshold with maximum vesting achieved at 10% compound EPS growth.
What does total shareholder return include?	TSR is the total return an investor would receive over a set period of time assuming that all distributions were reinvested in the Group's securities. The TSR definition takes account of both capital growth and distributions.
What is the earnings per security hurdle?	The EPS hurdle refers to the annual growth of earnings per security over the total vesting periods of two, three and four years from the grant date.
What is the benchmark group?	The benchmark group comprises the S&P/ASX Small Industrials Index.

(i) Equity settled security-based payments

Since 1 July 2009, long term incentives have been provided to certain executives under the LTIP. Under the terms of the LTIP and the initial grant, employees may be granted performance rights of which one third will vest two years after grant date, one third will vest three years after grant date and one third will vest four years after grant date. The percentage of performance rights which may vest is subject to the TSR performance of the Group relative to its peer group, which is the S&P/ASX Small Industrials Index.

During the year, the relative TSR performance of the Group was tested in accordance with the LTIP for tranches issued in 2012, 2013 and 2014 with the following results:

Tranche	TSR	Percentile	Vesting percentage
T3-2012	105.30	73.26	96.50%
T2-2013	46.45	61.05	72.10%
T1-2014	(15.01)	38.93	-

A total of 603,653 performance rights vested on 25 August 2016 and a corresponding number of stapled securities were issued to employees under the terms of the LTIP (2016: 954,907).

The characteristics of the LTIP indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria.

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments (continued)

(b) Long Term Incentive Plan (LTIP) (continued)

(i) Equity settled security-based payments (continued)

Fair value

The fair value of the equity settled performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights is determined at grant date using a Monte Carlo simulation valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each financial period takes into account the most recent estimate.

(ii) Cash settled security-based payments

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the LTIP were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security VWAP for the five trading days immediately following the vesting date and an equivalent cash payment is made. Due to the nature of the scheme, this is considered to be a cash settled share-based payment under AASB 2.

All performance rights issued after 1 July 2014 to US employees are settled in equity upon vesting. These performance rights are considered to be equity settled share-based payments under AASB 2. A total of 16,443 cash settled performance rights vested on 25 August 2016 to US employees under the terms of the LTIP (2016: 38,998).

ALL is considered to be a subsidiary of the Trust, therefore in the financial statements of the ALL Group the LTIP is accounted for as a cash settled security-based payment.

Fair value

The fair value of cash settled performance rights granted under the LTIP is determined at grant date and each reporting date using a Monte Carlo simulation valuation model. This is recorded as a liability with the difference in the movement in the fair value of the financial liability recognised in the Income Statement.

At each reporting date, the estimate of the number of performance rights that are expected to vest is revised. The employee benefit expense recognised each period takes into account the most recent estimate.

(iii) Valuation inputs

For performance rights outstanding at 30 June 2017, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2017:

Grant	2013	2014	2015	2016
Grant date	23 August 2013	19 August 2014	15 December 2015	23 August 2016
Vesting date – year 2	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 3	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Vesting date – year 4	31 August 2017	31 August 2018	31 August 2019	31 August 2020
Average risk free rate	2.60% per annum	2.57% per annum	2.10% per annum	1.40% per annum
Expected price volatility	32.0% per annum	27.0% per annum	38.3% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	4.3% per annum	5.8% per annum	5.0% per annum
Stapled security price at grant date	\$1.82	\$3.00	\$2.17	\$2.50
Valuation per performance right on issue	\$0.72	\$1.44	\$1.12	\$1.52

Notes to the Financial Statements

for the year ended 30 June 2017

29. Security-based payments (continued)

(b) Long Term Incentive Plan (LTIP) (continued)

(iii) Valuation inputs (continued)

The table below shows the fair value of the performance rights for each grant as at 30 June 2017 as well as the factors used to value the performance rights at 30 June 2017. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2017:

Grant	2013	2014	2015	2016
Grant date	23 August 2013	19 August 2014	15 December 2015	23 August 2016
Vesting date – year 2	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 3	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Vesting date – year 4	31 August 2017	31 August 2018	31 August 2019	31 August 2020
Average risk free rate	1.80% per annum	1.80% per annum	1.80% per annum	1.80% per annum
Expected price volatility	45.0% per annum	45.0% per annum	45.0% per annum	45.0% per annum
Expected distribution yield	1.6% per annum	1.6% per annum	1.6% per annum	1.6% per annum
Stapled security price at year end	\$1.88	\$1.88	\$1.88	\$1.88
Valuation per performance right at year end	\$0.02	\$0.08	\$0.31	\$0.80

Grants of performance rights are made annually with the grant date being the date of the issue of the offer letters to employees. Although the grant date may vary from year to year, the testing period (subject to any hurdles) remains constant with the vesting date being 24 hours immediately following the announcement of the Group's full year financial results.

(iv) Performance hurdles

In order for any or all of the performance rights to vest under the LTIP, the Group's TSR and/or (for grants made after 1 July 2014) the EPS performance hurdle must be met.

TSR

The Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark for the same period. A sliding scale of vesting applies above the 50th percentile threshold.

TSR of the Group relative to TSRs of comparators	Proportion of performance rights vesting
Below 51st percentile	0%
51st percentile	50%
Between 51st percentile and 75th percentile	Straight-line vesting between 50% and 100%
75th percentile or higher	100%

TSR over a performance period is measured against the benchmark group securities calculated at the average closing price of securities on the ASX for the calendar month period up to and including each of the first and last dates of the performance period. Distributions are assumed to be reinvested at the distribution date and any franking credits (or similar) are ignored.

EPS

The Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above 5% threshold.

Compound EPS growth in the period	Proportion of performance rights vesting
Below 5%	0%
5%	50%
Between 5% and 10%	Straight-line vesting between 50% and 100%
10% or higher	100%

The weighting is split equally between the two performance measures.

Notes to the Financial Statements for the year ended 30 June 2017

29. Security-based payments (continued)

(b) Long Term Incentive Plan (LTIP) (continued)

(iv) Performance hurdles (continued)

The number of rights outstanding and the grant dates of the rights are shown in the tables below:

	Consolidated Group 2017	Consolidated Group 2016	ALL Group 2017	ALL Group 2016
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Performance rights issued to participating executives:

Performance rights	1,896,003	2,162,697	1,896,003	2,162,697
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Grant date	Expiry date	Exercise price	Valuation per right	Balance at beginning of the year	Granted	Exercised	Failed to vest	Cancelled	Balance at the end of the year
24 Aug 2012	25 Aug 2016	nil	60.9 cents	323,590	-	(312,268)	(11,322)	-	-
23 Aug 2013	31 Aug 2017	nil	72.3 cents	514,337	-	(212,321)	(73,247)	-	228,769
19 Aug 2014	31 Aug 2018	nil	143.9 cents	472,095	-	(29,882)	(157,365)	-	284,848
15 Dec 2015	31 Aug 2019	nil	112.3 cents	852,675	-	(65,625)	-	-	787,050
23 Aug 2016	31 Aug 2020	nil	151.9 cents	-	653,434	-	-	(58,098)	595,336
				2,162,697	653,434	(620,096)	(241,934)	(58,098)	1,896,003

The rights have an average maturity of one year and four months.

The expense recorded in the Group financial statements in the year in relation to the DSTI and LTIP performance rights was \$3,491,225 (30 June 2016: \$1,529,237). The expense recorded in the ALL Group financial statements in the year in relation to the DSTI and LTIP performance rights was \$3,400,593 (30 June 2016: \$1,703,232).

30. Other equity

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Treasury securities	1,662	-	1,662	-
Closing balance	1,662	-	1,662	-

Treasury securities are securities in Ardent Leisure Limited that are held by the Ardent Leisure Employee Share Trust for the purpose of issuing securities under the Group's DSTI and LTIP. Securities issued to employees are recognised on a first-in-first-out basis.

	No. of securities	\$'000
Opening balance	-	-
Acquisition of securities by the Ardent Leisure Employee Share Trust	799,334	1,662
Closing balance	799,334	1,662

Notes to the Financial Statements for the year ended 30 June 2017

31. Reserves

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Asset revaluation reserve				
Opening balance	17,436	10,429	3,416	3,416
Revaluation - Australian Theme Parks	(1,215)	11,243	-	-
Revaluation - Australian Bowling and Entertainment Centres	-	(709)	-	-
Transfer to retained profits - realised items	-	(3,527)	-	-
Closing balance	16,221	17,436	3,416	3,416
Cash flow hedge reserve				
Opening balance	(3,495)	(2,058)	(950)	(70)
Movement in effective cash flow hedges	3,154	(1,878)	1,549	(1,321)
Tax on movement on US cash flow hedges	(562)	441	(562)	441
Closing balance	(903)	(3,495)	37	(950)
Foreign currency translation reserve				
Opening balance	(33,096)	(35,145)	6,569	4,292
Translation of foreign operations	(3,280)	2,049	(3,837)	2,277
Closing balance	(36,376)	(33,096)	2,732	6,569
Stapled security-based payment reserve				
Opening balance	(5,783)	(3,917)	-	-
Option expense	(20)	(1,866)	-	-
Closing balance	(5,803)	(5,783)	-	-
Total reserves	(26,861)	(24,938)	6,185	9,035

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment.

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity as described in Notes 1(p) and 14.

Exchange differences arising on the translation of foreign controlled entities are taken to the foreign currency translation reserve. In addition, on consolidation, exchange differences on loans denominated in foreign currencies are taken directly to the foreign currency translation reserve where the loan is considered part of the net investment in that foreign operation.

The stapled security-based payment reserve is used to recognise the fair value of performance rights issued to employees but not yet exercised under the Group's DSTI and LTIP.

Notes to the Financial Statements for the year ended 30 June 2017

32. (Accumulated losses)/retained profits

		Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
	Note				
Opening balance		(4,799)	4,992	(1,252)	(11,893)
(Loss)/profit for the year		(62,557)	42,387	3,064	10,641
Available for distribution		(67,356)	47,379	1,812	(1,252)
Transfer from asset revaluation reserve		-	3,527	-	-
Distributions and dividends paid and payable	25(a)	(34,849)	(55,705)	-	-
Closing balance		(102,205)	(4,799)	1,812	(1,252)

The distribution of 1.0 cent per stapled security for the year ended 30 June 2017 totalling \$4.7 million had not been declared at year end. This will be paid on or before 31 August 2017, as described in Note 45.

33. Business combinations

Prior period

During the prior period, the Group finalised its acquisition of the KAOS Amusement Arcade and Hypoxi Caroline Springs. Purchase price and goodwill adjustments on finalisation were immaterial in nature.

34. Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash includes only cash at banks and on deposit. Cash as at 30 June 2017 as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Cash at bank	10,781	9,009	9,291	8,330
Cash on deposit	61	61	61	61
Total cash and cash equivalents	10,842	9,070	9,352	8,391

Cash on deposit at call in the Group bears an average floating interest rate of 1.50% per annum (30 June 2016: 1.66% per annum).

Cash on deposit at call in the ALL Group bears an average floating interest rate of 1.38% per annum (30 June 2016: 1.75% per annum).

Notes to the Financial Statements

for the year ended 30 June 2017

35. Cash flow information

(a) Reconciliation of (loss)/profit to net cash flows from operating activities

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
(Loss)/profit for the year	(62,557)	42,387	3,064	10,641
<i>Non-cash items</i>				
Depreciation of property, plant and equipment	51,299	57,921	33,623	34,151
Amortisation	3,633	6,741	3,633	6,741
Depreciation of livestock	25	24	25	24
Impairment of goodwill	783	-	783	-
Security-based payments	3,511	1,539	3,421	1,713
Provision for doubtful debts	438	253	438	253
Inventory provision	96	-	96	-
Increase/(decrease) in onerous lease provisions	492	(2,193)	(206)	(1,146)
Loss on sale of property, plant and equipment and livestock	3,328	513	1,083	139
Loss on closure of Australian Bowling and Entertainment Centres	470	-	4	-
Impairment of property, plant and equipment	145	463	(117)	158
Valuation losses/(gains) on investment properties and property, plant and equipment	88,747	(2,059)	-	-
<i>Classified as financing activities</i>				
Borrowing costs	12,191	14,874	10,204	13,337
<i>Classified as investing activities</i>				
Unrealised net loss on derivative financial instruments	349	170	-	-
Gain on the sale of health clubs before selling costs	(51,230)	-	(23,776)	-
Gain on sale and leaseback of US Entertainment Centres	-	(1,672)	-	(1,672)
<i>Changes in asset and liabilities:</i>				
Decrease/(increase) in assets:				
Receivables	2,972	(3,336)	2,972	(981)
Inventories	(1,905)	(1,831)	(1,905)	(1,831)
Deferred tax assets	(8,068)	(1,857)	(8,068)	(1,857)
Construction in progress inventories	5,315	(62,692)	5,315	(62,692)
Other assets	1,171	1,533	1,168	(2,233)
Increase/(decrease) in liabilities:				
Payables and other liabilities	22,347	18,917	7,988	33,960
Provisions	(702)	174	538	217
Payable to the Trust	-	-	551	(3,824)
Construction in progress deposits	(5,862)	55,940	(5,862)	55,940
Current tax liabilities	451	(1,398)	429	(1,424)
Deferred tax liabilities	4,738	11,010	4,738	11,010
Net cash flows from operating activities	72,177	135,421	40,139	90,624

(b) Non-cash financing and investing activities

		Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
	Note				
The following items are not reflected in the Statements of Cash Flows:					
Distributions by the Group satisfied during the year by the issue of stapled securities under the DRP	25(a)	9,285	41,240	2,619	10,979

Notes to the Financial Statements for the year ended 30 June 2017

36. Net tangible assets

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000
Net tangible assets are calculated as follows:		
Total assets	974,213	1,157,632
Less: intangible assets	(96,587)	(246,129)
Less: total liabilities	(442,491)	(537,649)
Net tangible assets	435,135	373,854
Total number of stapled securities on issue	469,153,284	463,039,616
Net tangible asset backing per stapled security	\$0.93	\$0.81

37. Related party disclosures

(a) Directors

The following persons have held office as Directors of the Manager and ALL during the period and up to the date of this report:

George Venardos (appointed as Chair 6 November 2016);
 Roger Davis;
 Randy Garfield (appointed 14 August 2017);
 David Haslingden;
 Simon Kelly (appointed 9 June 2017);
 Don Morris AO;
 Melanie Willis;
 Neil Balnaves AO (retired as Chair and as a Director 6 November 2016); and
 Deborah Thomas (retired 1 July 2017).

(b) Parent entity

The immediate and ultimate parent entity of the Group is Ardent Leisure Trust.

The immediate and ultimate parent entity of the ALL Group is Ardent Leisure Limited.

(c) Key controlled entities

These financial statements incorporate the assets, liabilities and results of the following wholly-owned key subsidiaries in accordance with the accounting policy disclosure as described in Note 1(b):

Entity	Activity	Country of establishment	Class of equity securities
Controlled entities of Ardent Leisure Trust:			
Ardent Leisure Trust	Principal lessee: Marinas, Bowling and Entertainment Centres	Australia	Ordinary
Ardent Leisure (NZ) Trust	Principal lessee: Bowling and Entertainment Centres	New Zealand	Ordinary
Controlled entities of Ardent Leisure Limited:			
Ardent Leisure Limited	Theme Parks, Marinas	Australia	Ordinary
Bowling Centres Australia Pty Limited	Bowling and Entertainment Centres	Australia	Ordinary
Ardent Leisure Operations (NZ) Limited	Bowling and Entertainment Centres	New Zealand	Ordinary
Main Event Holdings, Inc	Family Entertainment Centres	USA	Ordinary

Notes to the Financial Statements for the year ended 30 June 2017

37. Related party disclosures (continued)

(d) Transactions with related parties

(i) Key management personnel

	Consolidated Group 2017 \$	Consolidated Group 2016 \$	ALL Group 2017 \$	ALL Group 2016 \$
Short term employee benefits	4,330,985	5,113,010	4,330,985	5,113,010
Post-employment benefits	197,312	177,998	197,312	177,998
Termination benefits	731,291	-	731,291	-
Share-based payments	2,277,658	1,036,746	2,277,658	1,036,746
	7,537,246	6,327,754	7,537,246	6,327,754

Remuneration of key management personnel (KMP) is shown in the Directors' report from pages 12 to 28.

(e) Loans to KMP

There were no loans to KMP during the financial year or prior corresponding period.

(f) Other transactions with KMP

Any agreements entered have been on normal commercial bases and fees and transactions have been based on normal commercial terms and conditions.

No Director has entered into a material contract with the Group and there were no material contracts involving Directors' interests existing at year end not previously disclosed.

(g) Transactions with controlled entities

All transactions with controlled entities were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured and are repayable in cash. The terms and conditions of the tax funding agreement are set out in Note 10(e). The transactions incurred in the year with controlled entities were as follows:

	Consolidated Group 2017 \$	Consolidated Group 2016 \$	ALL Group 2017 \$	ALL Group 2016 \$
Purchases of goods				
Purchase of services from related parties	(73,335)	(856,133)	(73,335)	(856,133)
Reimbursable expenses to related parties	(6,580)	(37,226)	(6,580)	(37,226)
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	114,696	(4,538,444)
Loans from Ardent Leisure Trust				
Balance at the beginning of the year	-	-	(128,221,273)	(126,900,500)
Loans advanced	-	-	(204,550,323)	(85,096,033)
Loan repayments made	-	-	275,733,857	89,699,028
Foreign exchange movements	-	-	21,311	(25,183)
Interest charged	-	-	(4,324,640)	(5,898,585)
Balance at the end of the year	-	-	(61,341,068)	(128,221,273)

Notes to the Financial Statements for the year ended 30 June 2017

38. Segment information

(a) Business segments

The Group is organised on a global basis into the following divisions by product and service type:

(i) **Marinas**

This segment comprises seven d'Albora Marina properties, located in New South Wales and Victoria. This business was sold on 14 August 2017.

(ii) **US Entertainment Centres**

This segment comprises 37 entertainment centres in Texas, Arizona, Georgia, Illinois, Kentucky, Missouri, New Mexico, Ohio, Oklahoma, Kansas, Florida, Indiana, Pennsylvania and Tennessee, United States of America.

(iii) **Australian Bowling and Entertainment Centres**

This segment comprises 43 bowling centres and five amusement arcades located in Australia and one bowling centre located in New Zealand.

(iv) **Australian Theme Parks**

This segment comprises Dreamworld and WhiteWater World in Coomera, Queensland and the SkyPoint observation deck and climb in Surfers Paradise, Queensland.

(v) **Health Clubs**

Up to the date of sale on 25 October 2016, the segment comprised 76 clubs in Queensland, New South Wales, Victoria, South Australia and Western Australia, including 14 in-club Hypoxi studios. The division also included two independent Hypoxi studios in New South Wales and two independent Hypoxi studios in Phoenix, Arizona.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA before property costs and after property costs. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is looked at after adjusting for pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, amortisation of health club brands and customer relationship intangible assets, impairment of property, plant and equipment and intangible assets, gain on sale of discontinued operation and associated selling costs, valuation gains/losses on investment property and property, plant and equipment, costs associated with the Dreamworld incident and loss on closure of Australian Bowling and Entertainment Centres. As shown in Note 11, these items are excluded from management's definition of core earnings.

The Group's principal activity is to invest in and operate leisure and entertainment businesses in Australia, New Zealand and the United States of America.

Notes to the Financial Statements

for the year ended 30 June 2017

38. Segment information (continued)

(a) Business segments (continued)

Consolidated Group - 2017

	Discontinued operations			Continuing operations			Total
	Marinas	Health Clubs	Entertainment Centres	US Bowling and Entertainment Centres	Australian Theme Parks	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities	24,131	62,677	299,450	127,655	70,934	9	584,856
One-off deferred revenue adjustment	-	-	697	-	-	-	697
Core revenue from operating activities	24,131	62,677	300,147	127,655	70,934	9	585,553
Divisional EBITDA before property costs ⁽¹⁾	12,724	25,612	99,493	42,402	(2,381)	-	177,850
Property costs	(2,904)	(15,840)	(38,452)	(27,198)	(1,027)	-	(85,421)
Divisional EBITDA ⁽²⁾	9,820	9,772	61,041	15,204	(3,408)	-	92,429
Corporate costs	-	-	-	-	-	(16,338)	(16,338)
Core EBITDA	9,820	9,772	61,041	15,204	(3,408)	(16,338)	76,091
Depreciation and amortisation ⁽³⁾	-	(3,728)	(24,559)	(10,210)	(5,222)	(1,230)	(44,949)
Core EBIT⁽⁴⁾	9,820	6,044	36,482	4,994	(8,630)	(17,568)	31,142
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, increase in onerous lease provisions, intangible asset amortisation, impairment of goodwill and property, plant and equipment, Marina selling costs and other one-off and restructuring expenses not included in divisional EBIT							(31,580)
Valuation losses - property, plant and equipment							(88,747)
Loss on closure of Australian Bowling and Entertainment Centres							(470)
Loss on disposal of assets							(3,328)
Gain on disposal of health clubs							45,009
Net loss from derivative financial instruments							(421)
Dreamworld incident costs, net of insurance recoveries							(5,389)
Interest income							86
Borrowing costs							(12,191)
Net tax benefit							3,332
Loss for the year							(62,557)
Total assets	121,276	-	473,695	156,725	203,349	19,168	974,213
Acquisitions of property, plant and equipment, investment properties and intangible assets	8,033	3,039	158,892	33,946	17,360	604	221,874

(1) Excludes pre-opening expenses of \$13,888,000.

(2) Excludes straight lining of fixed rent increases of \$1,328,000, pre-opening expenses of \$13,888,000, increase in onerous lease provisions of \$492,000.

(3) Excludes IFRS depreciation of \$9,102,000, amortisation of health club brands and customer relationship intangible assets totalling \$907,000, impairment of property, plant and equipment of \$145,000 and impairment of goodwill of \$783,000.

(4) Excludes of pre-opening expenses of \$13,888,000, straight lining of fixed rent increases of \$1,328,000, increase in onerous lease provisions of \$492,000, IFRS depreciation of \$9,102,000, amortisation of health club brands and customer relationship intangible assets of \$907,000, Marina selling costs of \$796,000, impairment of property, plant and equipment of \$145,000, impairment of goodwill of \$783,000 and other one-off and restructuring expenses of \$4,033,000.

Notes to the Financial Statements

for the year ended 30 June 2017

38. Segment information (continued)

(a) Business segments (continued)

Consolidated Group - 2016

	Discontinued operations		Continuing operations				Total
	Marinas \$'000	Health Clubs \$'000	US Entertainment Centres \$'000	Australian Bowling and Entertainment Centres \$'000	Australian Theme Parks \$'000	Other \$'000	\$'000
Revenue from operating activities	23,000	187,555	238,974	130,494	107,582	9	687,614
Divisional EBITDA before property costs ⁽¹⁾	12,569	77,511	87,260	45,291	35,947	-	258,578
Property costs	(2,412)	(47,397)	(28,092)	(27,067)	(1,222)	-	(106,190)
Divisional EBITDA ⁽²⁾	10,157	30,114	59,168	18,224	34,725	-	152,388
Corporate costs	-	-	-	-	-	(15,144)	(15,144)
Core EBITDA	10,157	30,114	59,168	18,224	34,725	(15,144)	137,244
Depreciation and amortisation ⁽³⁾	(730)	(12,620)	(17,827)	(9,344)	(5,492)	(1,153)	(47,166)
Core EBIT⁽⁴⁾	9,427	17,494	41,341	8,880	29,233	(16,297)	90,078
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, decrease in onerous lease provisions, intangible asset amortisation, impairment of property, plant and equipment and Marina selling costs not included in divisional EBIT							(27,383)
Valuation gains - investment properties							2,059
Loss on disposal of assets							(514)
Gain on sale and leaseback of US Entertainment Centres							1,672
Net loss from derivative financial instruments							(170)
Interest income							81
Business acquisition costs refunded							134
Borrowing costs							(14,874)
Net tax expense							(8,696)
Profit for the year							42,387
Total assets	113,093	251,144	357,836	137,986	283,774	13,799	1,157,632
Acquisitions of property, plant and equipment, investment properties and intangible assets	6,448	20,612	106,013	16,968	9,638	592	160,271

(1) Excludes pre-opening expenses of \$8,638,000.

(2) Excludes pre-opening expenses of \$8,638,000, straight lining of fixed rent increases of \$1,909,000 and decrease in onerous lease provisions of \$2,193,000.

(3) Excludes IFRS depreciation of \$13,029,000, amortisation of health club brands and customer relationship intangible assets totalling \$4,490,000 and impairment of property, plant and equipment of \$463,000.

(4) Excludes pre-opening expenses of \$8,638,000, straight lining of fixed rent increases of \$1,909,000, decrease in onerous lease provisions of \$2,193,000, IFRS depreciation of \$13,029,000, amortisation of health club brands and customer relationship intangible assets of \$4,490,000 and impairment of property, plant and equipment of \$463,000.

Notes to the Financial Statements

for the year ended 30 June 2017

38. Segment information (continued)

(a) Business segments (continued) ALL Group - 2017

	Discontinued operations			Continuing operations			Total
	Marinas	Health Clubs	US Entertainment Centres	Australian Bowling and Entertainment Centres	Australian Theme Parks	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities	24,131	62,677	299,450	127,655	70,934	9	584,856
One-off deferred revenue adjustment	-	-	697	-	-	-	697
Core revenue from operating activities	24,131	62,677	300,147	127,655	70,934	9	585,553
Divisional EBITDA before rent to Trust ⁽¹⁾	12,724	21,417	61,041	42,217	(2,381)	-	135,018
Rent to the Trust	(11,784)	(13,299)	-	(35,638)	(4,349)	-	(65,070)
Divisional EBITDA after rent to Trust ⁽¹⁾	940	8,118	61,041	6,579	(6,730)	-	69,948
Corporate costs	-	-	-	-	-	(14,316)	(14,316)
Core EBITDA	940	8,118	61,041	6,579	(6,730)	(14,316)	55,632
Depreciation and amortisation ⁽²⁾	-	(3,728)	(24,559)	(4,941)	(1,916)	(1,230)	(36,374)
Core EBIT⁽³⁾	940	4,390	36,482	1,638	(8,646)	(15,546)	19,258
Pre-opening expenses, straight lining of fixed rent increases, decrease in onerous lease provisions, intangible asset amortisation, impairment of goodwill, reversal of impairment on property, plant and equipment, selling costs associated with the sale of Marinas, other one-off and restructuring expenses not included in divisional EBIT							(21,388)
Gain on disposal of health clubs							18,340
Loss on disposal of assets							(1,083)
Dreamworld incident costs, net of insurance recoveries							(5,042)
Interest income							77
Foreign exchange losses							(87)
Borrowing costs							(10,203)
Net tax expense							3,192
Profit for the year							3,064
Total assets	3,799	-	473,771	71,435	26,154	17,536	592,695
Acquisitions of property, plant and equipment, investment properties and intangible assets	605	2,194	158,892	26,809	4,771	604	193,875

(1) Excludes pre-opening expenses of \$13,888,000, straight lining of fixed rent of \$1,030,000, decrease in onerous lease provisions of \$167,000.

(2) Excludes amortisation of health club brands and customer relationship intangible assets totalling \$907,000, reversal of impairment of property, plant and equipment of \$117,000, impairment of goodwill of \$783,000.

(3) Excludes pre-opening expenses of \$13,888,000, straight lining of fixed rent of \$1,030,000, decrease in onerous lease provisions of \$167,000, amortisation of health club brands and customer relationship intangible assets of \$907,000, reversal of impairment of property, plant and equipment of \$117,000, impairment of goodwill of \$783,000, Marina selling costs of \$944,000 and other one-off and restructuring expenses of \$4,033,000.

Notes to the Financial Statements

For the year ended 30 June 2017

38. Segment information (continued)

(a) Business segments (continued) ALL Group - 2016

	Discontinued operations			Continuing operations			Total
	Marinas	Health Clubs	Entertainment Centres	US Entertainment Centres	Australian Bowling and Entertainment Centres	Australian Theme Parks	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities	23,000	187,555	238,974	130,494	107,582	9	687,614
Divisional EBITDA before rent to Trust ⁽¹⁾	12,569	64,531	59,168	45,271	35,947	-	217,486
Rent to the Trust	(11,492)	(41,138)	-	(37,942)	(33,108)	-	(123,680)
Divisional EBITDA after rent to Trust ⁽¹⁾	1,077	23,393	59,168	7,329	2,839	-	93,806
Corporate costs	-	-	-	-	-	(13,516)	(13,516)
Core EBITDA	1,077	23,393	59,168	7,329	2,839	(13,516)	80,290
Depreciation and amortisation ⁽²⁾	(163)	(12,620)	(17,827)	(3,015)	(1,647)	(1,153)	(36,425)
Core EBIT⁽³⁾	914	10,773	41,341	4,314	1,192	(14,669)	43,865
Pre-opening expenses, straight lining of fixed rent increases, decrease in onerous lease provisions, intangible asset amortisation and impairment of property, plant and equipment not included in divisional EBIT							(13,063)
Loss on disposal of assets							(140)
Gain on sale and leaseback of US Entertainment Centres							1,672
Interest income							68
Foreign exchange gain							116
Business acquisition costs refunded							134
Borrowing costs							(13,337)
Net tax expense							(8,674)
Profit for the year							10,641
Total assets	2,972	206,187	357,907	47,735	21,679	12,844	649,324
Acquisitions of property, plant and equipment, investment properties and intangible assets	706	14,189	106,022	12,256	2,789	592	136,554

(1) Excludes pre-opening expenses of \$8,455,000, straight lining of fixed rent of \$1,149,000 and decrease in onerous lease provisions of \$1,190,000.

(2) Excludes amortisation of health club brands and customer relationship intangible assets totalling \$4,490,000 and impairment of property, plant and equipment of \$159,000.

(3) Excludes pre-opening expenses of \$8,455,000, straight lining of fixed rent of \$1,149,000, decrease in onerous lease provisions of \$1,190,000, amortisation of health club brands and customer relationship intangible assets of \$4,490,000 and impairment of property, plant and equipment of \$159,000.

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management

(a) Capital risk management

The Group's objectives when managing capital is to optimise stapled security holder value through the mix of available capital sources while complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest cover and debt serviceability ratios within approved limits and continuing to operate as a going concern.

The Group assesses its capital management approach as a key part of the Group's overall strategy and it is continuously reviewed by management and the Board.

The Group is able to alter its capital mix by issuing new stapled securities, activating the DRP, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a stapled security buy-back program or selling assets to reduce borrowings.

The Group has a target gearing ratio of 30% to 35% of net debt to net debt plus equity. At 30 June 2017, gearing was 29.5% (2016: 33.0%) and the Group has complied with the financial covenants of its borrowing facilities in the current and previous financial years.

Protection of the Group's equity in foreign denominated assets was achieved through borrowing in the local functional currency to provide a natural hedge supplemented by the use of foreign exchange forward contracts to provide additional hedge protection. The Group has a target equity hedge of 50% to 100% of the asset value by foreign currency.

The Trust also protects its equity in assets by taking out insurance with creditworthy insurers.

(b) Financial risk management

The Group's principal financial instruments comprise cash, receivables, payables, interest bearing liabilities and derivative financial instruments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk.

The Group manages its exposure to these financial risks in accordance with the Group's Financial Risk Management (FRM) policy as approved by the Board.

The FRM policy sets out the Group's approach to managing financial risks, the policies and controls utilised to minimise the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Group uses various measures to manage exposures to these types of risks. The main methods include foreign exchange and interest rate sensitivity analysis, ageing analysis and counterparty credit assessment and the use of future rolling cash flow forecasts.

The Group uses derivative financial instruments such as forward foreign exchange contracts, interest rate swaps and cross currency swaps to manage its financial risk as permitted under the FRM policy. Such instruments are used exclusively for hedging purposes i.e. not for trading or speculative purposes.

(c) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will change the Australian dollar value of the Group's net assets or its Australian dollar earnings.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to foreign exchange risk through investing in overseas businesses and deriving operating income from those businesses. The Group manages this exposure on a consolidated basis.

The majority of derivatives utilised to manage this consolidated exposure are held by the Trust. Therefore, the information provided below is only meaningful for the Group.

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

Foreign investment

The Group aims to minimise the impact of fluctuations in foreign currency exchange rates on its net investments overseas by funding such investments by borrowing in the local overseas currency or by taking out forward foreign exchange contracts. The Group's policy is to hedge 50% to 100% of overseas investments in this way.

The table below sets out the Group's overseas investments, by currency, and how, through the use of forward foreign exchange contracts, this exposure is reduced. All figures in the table below are shown in Australian dollars with foreign currency balances translated at the year-end spot rate:

	Australian dollars		New Zealand dollars		US dollars	
Consolidated Group	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and cash equivalents	3,774	3,285	1,457	1,031	5,611	4,754
Receivables and other current assets	15,474	29,524	376	238	7,862	7,714
Derivative financial instruments	105	244	-	-	167	-
Assets classified as held for sale	120,721	112,940	-	-	-	-
US Entertainment Centre classified as held for sale	-	-	-	-	13,840	-
Construction in progress inventories	-	-	-	-	56,756	61,796
Investments held at fair value	3,201	-	-	-	-	-
Property, plant and equipment	299,678	453,544	939	2,018	335,823	228,197
Intangible assets	41,496	187,961	3,685	3,689	51,406	54,479
Other non-current assets	11,831	6,558	11	19	-	(359)
Total assets	496,280	794,056	6,468	6,995	471,465	356,581
Liabilities						
Payables and other current liabilities	41,647	70,152	305	658	67,258	41,674
Construction in progress deposits	-	-	-	-	50,050	55,494
Derivative financial instruments	1,321	2,652	-	-	-	1,487
Liabilities directly associated with assets classified as held for sale	4,892	4,104	-	-	-	-
Interest bearing liabilities	75,126	141,449	-	-	157,501	171,454
Other non-current liabilities	5,925	13,638	-	-	38,466	34,887
Total liabilities	128,911	231,995	305	658	313,275	304,996
Net assets	367,369	562,061	6,163	6,337	158,190	51,585
Notional value of derivatives	-	-	-	-	1,326	774
Net exposure to foreign exchange movements	367,369	562,061	6,163	6,337	159,516	52,359

Notes to the Financial Statements

for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

Foreign investment (continued)

	Australian dollars		New Zealand dollars		US dollars	
ALL Group	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	3,763	3,167	687	566	4,902	4,658
Receivables and other current assets	15,284	29,188	66	172	7,740	7,587
Derivative financial instruments	-	-	-	-	196	-
Assets classified as held for sale	3,244	2,782	-	-	-	-
US Entertainment Centre classified as held for sale	-	-	-	-	13,840	-
Construction in progress inventories	-	-	-	-	56,756	61,796
Investments held at fair value	3,201	-	-	-	-	-
Property, plant and equipment	38,486	58,851	278	13	335,823	228,197
Intangible assets	41,496	187,961	3,685	3,689	51,406	54,479
Other non-current assets	11,831	6,558	11	19	-	(359)
Total assets	117,305	288,507	4,727	4,459	470,663	356,358
Liabilities						
Payables and other current liabilities	34,947	57,815	416	317	67,258	41,644
Construction in progress deposits	-	-	-	-	50,050	55,494
Derivative financial instruments	-	-	-	-	29	1,415
Liabilities directly associated with assets classified as held for sale	4,558	3,716	-	-	-	-
Interest bearing liabilities	61,387	128,569	-	-	157,457	147,519
Other non-current liabilities	1,093	3,065	-	-	38,466	34,887
Total liabilities	101,985	193,165	416	317	313,260	280,959
Net assets	15,320	95,342	4,311	4,142	157,403	75,399
Net exposure to foreign exchange movements	15,320	95,342	4,311	4,142	157,403	75,399

(ii) Foreign exchange rate sensitivity

The table below demonstrates the sensitivity of the above net exposures to reasonably possible changes in foreign exchange rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the profit, core earnings or equity, while a positive amount reflects a potential net increase.

Consolidated Group	Profit movement		Core earnings movement		Total equity movement	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
AUD:USD - increase 10%	(119)	(79)	-	-	(14,501)	(4,760)
AUD:USD - decrease 10%	146	96	-	-	17,724	5,818
AUD:NZD - increase 10%	-	-	-	-	(560)	(576)
AUD:NZD - decrease 10%	-	-	-	-	686	704

ALL Group	Profit movement		Total equity movement	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
AUD:USD - increase 10%	-	-	(14,309)	(6,854)
AUD:USD - decrease 10%	-	-	17,489	8,378
AUD:NZD - increase 10%	-	-	(390)	(378)
AUD:NZD - decrease 10%	-	-	482	459

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange rate sensitivity (continued)

Foreign income

Through investing in overseas assets, the Group earns foreign denominated income. Net operating income derived is naturally offset by local currency denominated expenses including interest and tax.

From time to time, the Group uses forward foreign exchange contracts to convert this net foreign denominated currency exposure back to Australian dollars at pre-determined rates out into the future. At reporting date, the Group has no hedging in place over USD or NZD income.

(iii) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Group.

The Group is exposed to interest rate risk predominantly through borrowings. The Group manages this exposure on a consolidated basis. The Group applies benchmark hedging bands across its differing interest rate exposures and utilises interest rate swaps, to exchange floating interest rates to fixed interest rates, to manage its exposure between these bands. Compliance with the policy is reviewed regularly by management and is reported to the Board each meeting.

The Group has exposures to interest rate risk on its net monetary liabilities, mitigated by the use of interest rate swaps, as shown in the table below:

Consolidated Group	Australian interest		US interest	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed rates				
Interest bearing liabilities	-	-	-	-
	-	-	-	-
Floating rates				
Cash and cash equivalents	5,231	4,316	5,611	4,754
Interest bearing liabilities	(75,466)	(142,433)	(157,793)	(172,511)
	(70,235)	(138,117)	(152,182)	(167,757)
Interest rate swaps	70,000	80,000	71,503	127,929
Net interest rate exposure	(235)	(58,117)	(80,679)	(39,828)

Refer to Note 14 for further details on the interest rate swaps.

Notes to the Financial Statements

for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

ALL Group	Australian interest		US interest	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed rates				
Interest bearing liabilities	-	-	-	-
	-	-	-	-
Floating rates				
Cash and cash equivalents	4,450	3,733	4,902	4,658
Interest bearing liabilities	(61,341)	(128,569)	(157,793)	(148,521)
	(56,891)	(124,836)	(152,891)	(143,863)
Interest rate swaps	-	-	71,503	105,036
Net interest rate exposure	(56,891)	(124,836)	(81,388)	(38,827)

(iv) Interest rate sensitivity

The table below demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the profit, core earnings or equity, while a positive amount reflects a potential net increase.

Consolidated Group	Profit movement		Core earnings movement		Total equity movement	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1% increase in AUD rate	6	(573)	(2)	(581)	1,337	1,711
1% decrease in AUD rate	(6)	573	2	581	(1,337)	(1,711)
1% increase in USD rate	(815)	(408)	(807)	(398)	535	2,234
1% decrease in USD rate	815	408	807	398	(535)	(2,234)

ALL Group	Profit movement		Total equity movement	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
1% increase in AUD rate	(569)	(1,248)	(569)	(1,248)
1% decrease in AUD rate	569	1,248	569	1,248
1% increase in USD rate	(814)	(388)	536	2,040
1% decrease in USD rate	814	388	(536)	(2,040)

At reporting date, the Group has fixed 60.7% (30 June 2016: 66.0%) of its floating interest exposure.

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(d) Liquidity risk

Liquidity risk arises if the Group has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The instruments entered into by the Group were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Group.

The following tables provide the contractual maturity of the Group's and ALL Group's fixed and floating rate financial liabilities and derivatives as at 30 June 2017. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the values shown in the Balance Sheets. Repayments which are subject to notice are treated as if notice were given immediately.

Consolidated Group 2017	Book value \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Payables	102,960	102,960	-	-	-	-	-	102,960
Term debt	233,259	59,559	71,347	111,156	-	-	-	242,062
Interest rate swaps designated as hedges of the term debt	1,008	1,085	668	-	-	-	-	1,753
Forward foreign exchange contracts	41	1,020	-	-	-	-	-	1,020
Total undiscounted financial liabilities	337,268	164,624	72,015	111,156	-	-	-	347,795

Consolidated Group 2016	Book value \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Payables	106,407	106,407	-	-	-	-	-	106,407
Term debt	314,944	8,510	8,510	193,390	115,392	-	-	325,802
Interest rate swaps designated as hedges of the term debt	4,026	2,077	1,657	1,205	-	-	-	4,939
Forward foreign exchange contracts	(131)	644	-	-	-	-	-	644
Total undiscounted financial liabilities	425,246	117,638	10,167	194,595	115,392	-	-	437,792

ALL Group 2017	Book value \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Payables	96,371	96,371	-	-	-	-	-	96,371
Term debt	157,793	4,156	70,628	90,074	-	-	-	164,858
Loan from the Trust	61,341	2,649	61,638	-	-	-	-	64,287
Interest rate swaps designated as hedges of the term debt	(167)	57	53	-	-	-	-	110
Total undiscounted financial liabilities	315,338	103,233	132,319	90,074	-	-	-	325,626

ALL Group 2016	Book value \$'000	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Payables	93,699	93,699	-	-	-	-	-	93,699
Term debt	148,869	2,913	2,913	99,946	50,227	-	-	155,999
Loan from the Trust	128,221	5,505	5,505	128,839	-	-	-	139,849
Interest rate swaps designated as hedges of the term debt	1,415	775	681	640	-	-	-	2,096
Total undiscounted financial liabilities	372,204	102,892	9,099	229,425	50,227	-	-	391,643

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(e) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and will cause the Group to make a financial loss. The Group has exposure to credit risk on all of its financial assets included in the Group's Balance Sheet.

The Group manages credit risk on receivables by performing credit reviews of prospective debtors, obtaining collateral where appropriate and performing detailed reviews on any debtor arrears. The Group has policies to review the aggregate exposures of receivables and tenancies across its portfolio. The Group has no significant concentrations of credit risk on its trade receivables. The Group holds collateral in the form of security deposits or bank guarantees, over some receivables.

For derivative financial instruments, there is only a credit risk where the contracting entity is liable to pay the Group in the event of a close out. The Group has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to investment grade counterparties in accordance with the Group's FRM policy. The Group monitors the public credit rating of its counterparties.

No credit risk has been allocated to cash and cash equivalents. Credit risk adjustments relating to receivables have been applied in line with the policy set out in Note 1(d). No fair value adjustment has been made to derivative financial assets, with the impact of credit risk being minimal. The Group's maximum exposure to credit risk is noted in the table below.

Details of the concentration of credit exposure of the Group's assets are as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Cash and cash equivalents	10,842	9,070	9,352	8,391
Receivables - Australasia	3,463	11,537	3,463	11,537
Receivables - US	1,904	1,749	1,904	1,749
Derivative financial instruments	272	244	196	-
	16,481	22,600	14,915	21,677

Notes to the Financial Statements for the year ended 30 June 2017

39. Capital and financial risk management (continued)

(e) Credit risk (continued)

All cash, derivative financial instruments and interest bearing receivables are neither past due nor impaired.

The table below shows the ageing analysis of those receivables which are past due or impaired:

	Less than 30 days \$'000	Past due but not impaired 31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Impaired \$'000	Total \$'000
Consolidated Group						
2017						
Receivables - Australasia	555	230	116	1,066	221	2,188
Receivables - US	75	520	24	13	-	632
	630	750	140	1,079	221	2,820
Consolidated Group						
2016						
Receivables - Australasia	1,228	204	264	638	831	3,165
Receivables - US	98	55	48	9	-	210
	1,326	259	312	647	831	3,375
ALL Group						
2017						
Receivables - Australasia	555	230	116	1,066	221	2,188
Receivables - US	75	520	24	13	-	632
	630	750	140	1,079	221	2,820
ALL Group						
2016						
Receivables - Australasia	1,228	204	264	638	831	3,165
Receivables - US	98	55	48	9	-	210
	1,326	259	312	647	831	3,375

Based on a review of receivables by management, a provision of \$94,000 (30 June 2016: \$515,000) has been made against receivables with a gross balance of \$221,000 (30 June 2016: \$831,000).

The Group holds collateral against the impaired receivables in the form of bank guarantees and security deposits; however, these are not material.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Notes to the Financial Statements

for the year ended 30 June 2017

40. Fair value measurement

(a) Fair value hierarchy

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments;
- Investments held at fair value;
- Land and buildings; and
- Investment properties.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Consolidated Group 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value:				
Investments held at fair value	-	-	3,201	3,201
Property, plant and equipment ⁽¹⁾	-	-	186,439	186,439
Assets classified as held for sale	-	-	116,888	116,888
Derivative financial instruments	-	272	-	272
Liabilities measured at fair value:				
Derivative financial instruments	-	1,321	-	1,321
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 40(c))	-	233,259	-	233,259

Consolidated Group 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value:				
Property, plant and equipment ⁽¹⁾	-	-	267,733	267,733
Assets classified as held for sale	-	-	109,459	109,459
Derivative financial instruments	-	244	-	244
Liabilities measured at fair value:				
Derivative financial instruments	-	4,139	-	4,139
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 40(c))	-	314,944	-	314,944

⁽¹⁾ Land and buildings of the Australian Theme Parks.

There has been no transfer between level 1 and level 2 during the year. For changes in level 3 items for the periods ended 30 June 2017 and 30 June 2016, refer to Notes 16, 17 and 20.

Notes to the Financial Statements for the year ended 30 June 2017

40. Fair value measurement (continued)

(a) Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the ALL Group's assets and liabilities:

ALL Group 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value:				
Investments held at fair value ⁽¹⁾	-	-	3,201	3,201
Derivative financial assets	-	196	-	196
Liabilities measured at fair value:				
Derivative financial instruments	-	29	-	29
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 40(c))	-	219,134	-	219,134

ALL Group 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities measured at fair value:				
Derivative financial instruments	-	1,415	-	1,415
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 40(c))	-	277,090	-	277,090

⁽¹⁾ On 20 December 2016, the Group acquired a non-controlling equity interest of \$3.2 million in Online Media Holdings Limited, an unlisted entity which develops and markets online location-based social media and customer data collection services.

There has been no transfer between level 1 and level 2 during the year. For changes in level 3 items for the periods ended 30 June 2017 and 30 June 2016, refer to Notes 17 and 20.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017.

(b) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance date.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

Notes to the Financial Statements for the year ended 30 June 2017

40. Fair value measurement (continued)

(b) Valuation techniques used to derive level 2 and level 3 fair values (continued)

The fair value of investment properties and property, plant and equipment is determined in line with the policy set out in Notes 1(f) and 1(g), with all resulting fair value estimates included in level 3. The current use is considered to be the highest and best use for all investment properties in the Group.

(i) Fair value measurements using significant unobservable inputs

For changes in level 3 items for the periods ended 30 June 2017 and 2016, refer to Notes 16, 17, 19 and 20.

(ii) Valuation inputs and relationships to fair value

The significant unobservable inputs associated with the valuation of the Group's investment properties are as follows:

	Capitalisation rate (%)	Discount rate (%)	Annual net property income (\$'000)
Marinas	7.00 – 10.50	8.00 – 12.00	340 – 2,413

The fair value of land and buildings and major rides and attractions is determined in line with the policy set out in Note 1(g), with all resulting fair value estimates included in level 3.

	Capitalisation rate (%)	Discount rate (%)	Annual net property income (\$'000)
Dreamworld and WhiteWater World	12.25	14.75 – 15.25	9,170
SkyPoint	11.50	14.25 – 14.50	4,777

The sensitivity of the fair values of the investment properties and land and buildings in relation to the significant unobservable inputs is set out in the table below:

	Capitalisation rate (%)	Discount rate (%)	Annual net property income (\$'000)
Fair value measurement sensitivity to significant increase in input	Decrease	Decrease	Increase
Fair value measurement sensitivity to significant decrease in input	Increase	Increase	Decrease

When calculating the income capitalisation approach, the net market rent has a strong inter-relationship with the adopted capitalisation rate given the methodology involves assessing the total income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the income and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the income and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the income and the adopted capitalisation rate could potentially magnify the impact to the fair value.

There are no other significant inter-relationships between unobservable inputs that materially affect the fair value.

Notes to the Financial Statements for the year ended 30 June 2017

40. Fair value measurement (continued)

(c) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the Balance Sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to the current market rates or the instruments are short term in nature. Differences were identified for the following instruments at 30 June 2017:

	Carrying amount 2017 \$'000	Fair value 2017 \$'000	Discount rate 2017 %	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Discount rate 2016 %
Consolidated Group						
Interest bearing liabilities	233,259	225,252	4.80	314,944	314,345	2.82
ALL Group						
Interest bearing liabilities	219,134	213,293	4.80	277,090	277,754	2.82

In determining the fair value of the interest bearing liabilities, the Group's principal payable of \$233.3 million (30 June 2016: \$314.9 million) has been discounted at a rate of 4.80% (30 June 2016: 2.82%) to best reflect the price that market participants would use when transferring the non-current borrowings, assuming that market participants act in their economic best interest. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including the Group's own credit risk. The Group's own credit risk has been included for the first time in the current financial year following the adoption of AASB 13 *Fair Value Measurement*.

41. Contingent liabilities

On 25 October 2016, an incident on the Thunder River Rapids ride at Dreamworld resulted in four fatalities at the theme park. The park and adjoining WhiteWater World were subsequently closed for 45 days and re-opened on 10 December 2016. Rides in Dreamworld were progressively re-opened as independent safety reviews were completed.

The incident is the subject of ongoing investigations by the Queensland Police Service (QPS) and Workplace Health and Safety Queensland (WHSQ). The timing of the conclusion, and the findings, of both investigations are not yet known. The incident will be subject to a coronial inquest, the timing of which is also not yet known.

The Group expects to be subjected to prosecution proceedings by WHSQ and civil claims from families and other affected persons, however the nature, timing and likely outcome of such actions are not yet known.

As at 30 June 2017, it is too premature to provide any meaningful or reliable estimate of the quantum of potential pecuniary penalties or damages to civil claimants. The Group maintains appropriate insurances to respond to all such litigation and regulatory action and associated costs. To date, the Group has taken a conservative approach in recognising insurance recoveries.

Unless otherwise disclosed in the financial statements, there are no other material contingent liabilities.

42. Capital and lease commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Property, plant and equipment				
Payable:				
Within one year	2,878	770	2,878	770
	2,878	770	2,878	770

Notes to the Financial Statements for the year ended 30 June 2017

42. Capital and lease commitments (continued)

(b) Lease commitments

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Cancellable operating leases	-	-	-	-
Non-cancellable operating leases	600,518	678,481	482,718	423,494
Finance leases	-	-	-	-
	600,518	678,481	482,718	423,494

(i) Operating leases

The majority of non-cancellable operating leases in the Group relate to property leases.

Non-cancellable operating leases in the ALL Group include base rentals payable to the Trust in accordance with the leases for Dreamworld, Marinas, Bowling and Entertainment Centres and Health Clubs properties in Australia. Further amounts are payable in respect of these properties; however, the additional rental calculations are unable to be determined at reporting date as a result of the calculations being based upon future profits of the businesses.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Within one year	61,536	92,203	40,097	41,493
Later than one year but not later than five years	229,795	298,377	163,624	150,020
Later than five years	309,187	287,901	278,997	231,981
	600,518	678,481	482,718	423,494

Notes to the Financial Statements for the year ended 30 June 2017

43. Deed of Cross Guarantee

In 2006, ALL, Bowling Centres Australia Pty Limited, Bowl Australia Holdings Pty Limited, Tidebelt Pty Limited and Bowling Centres Australia Catering Services Pty Limited entered into a Deed of Cross Guarantee under which each company guaranteed the debts of the others. In 2010, Ardent Leisure Health Clubs 1 Pty Limited, Ardent Leisure Health Clubs 2 Pty Limited, Goodlife Health Clubs Holdings Pty Limited, Goodlife Operations Pty Limited, Ardent Boat Share Pty Limited and Ardent Boat Share Finance Limited executed an Assumption Deed and became parties to the Deed of Cross Guarantee. On 9 October 2012, Fenix Holdings Pty Limited and its controlled entities executed an Assumption Deed and became parties to the Deed of Cross Guarantee. On 28 April 2014, Hypoxi Australia Pty Limited executed an Assumption Deed and became a party to the Deed of Cross Guarantee. On 25 November 2014, Hypoxi North America Pty Limited executed an Assumption Deed and became a party to the Deed of Cross Guarantee.

On 1 July 2012, a Revocation Deed was executed whereby Ardent Boat Share Pty Limited, Ardent Boat Share Finance Limited, Bowl Australia Holdings Pty Limited, Bowling Centres Australia Catering Services Pty Limited and Tidebelt Pty Limited were released from the Deed of Cross Guarantee.

On 25 October 2016, a Notice of Disposal was executed whereby Ardent Leisure Health Clubs 1 Pty Limited, Ardent Leisure Health Clubs 2 Pty Limited, Goodlife Health Clubs Holdings Pty Limited, Goodlife Operations Pty Limited, Fenix Holdings Pty Limited, Hypoxi Australia Pty Limited and Hypoxi North America Pty Limited were released from the Deed of Cross Guarantee.

By entering into the deeds, Bowling Centres Australia Pty Limited, has been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 which has replaced ASIC Instrument 2016/785.

(a) Consolidated Income Statement

ALL and Bowling Centres Australia Pty Limited represent a 'Closed Group' for the purposes of the Class Order.

Set out below is a consolidated Income Statement for the year ended 30 June 2017 of the Closed Group:

	2017 \$'000	2016 \$'000
Income		
Revenue from operating activities	196,668	235,594
Other income	1,727	-
Expenses		
Purchases of finished goods	(26,530)	(28,704)
Salary and employee benefits	(102,888)	(99,144)
Borrowing costs	(2,026)	(2,612)
Property expenses	(39,794)	(70,383)
Depreciation and amortisation	(7,965)	(5,619)
Loss on closure of Australian Bowling and Entertainment Centres	(4)	-
Advertising and promotions	(10,814)	(9,188)
Repairs and maintenance	(12,071)	(10,699)
Impairment of property, plant and equipment	(783)	-
Dreamworld incident costs	(6,534)	-
Other expenses	(20,060)	(19,320)
Pre-opening expenses	(1,242)	289
Business acquisition costs	-	(64)
Loss before tax benefit	(32,316)	(9,850)
Income tax benefit	10,389	3,209
Loss from continuing operations	(21,927)	(6,641)
Profit from discontinued operations	17,002	2,252
Loss for the year	(4,925)	(4,389)

Notes to the Financial Statements for the year ended 30 June 2017

43. Deed of Cross Guarantee (continued)

(b) Consolidated Statement of Comprehensive Income

Set out below is a consolidated Statement of Comprehensive Income for the year ended 30 June 2017 of the Closed Group:

	2017 \$'000	2016 \$'000
Loss for the year	(4,925)	(4,389)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(4,925)	(4,389)

(c) Consolidated Balance Sheet

Set out below is a consolidated Balance Sheet as at 30 June 2017 of the Closed Group:

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	3,761	3,151
Receivables	3,458	11,138
Inventories	8,986	9,248
Current tax receivables	-	996
Assets classified as held for sale	4,442	2,782
Other	3,244	9,526
Total current assets	23,891	36,841
Non-current assets		
Property, plant and equipment	45,915	61,545
Livestock	293	221
Intangible assets	24,165	167,631
Deferred tax assets	11,542	6,122
Investment in controlled entities	111,761	49,730
Total non-current assets	193,676	285,249
Total assets	217,567	322,090
Current liabilities		
Payables	24,646	50,197
Provisions	4,400	4,029
Liabilities directly associated with assets classified as held for sale	4,558	3,716
Other	5	215
Total current liabilities	33,609	58,157
Non-current liabilities		
Payables	53,780	130,423
Provisions	1,009	3,064
Total non-current liabilities	54,789	133,487
Total liabilities	88,398	191,644
Net assets	129,169	130,446
Equity		
Contributed equity	170,699	167,100
Reserves	45	(4)
Accumulated losses	(41,575)	(36,650)
Total equity	129,169	130,446

Notes to the Financial Statements for the year ended 30 June 2017

43. Deed of Cross Guarantee (continued)

(d) Consolidated Statement of Changes in Equity

Set out below is a consolidated Statement of Changes in Equity for the year ended 30 June 2017 of the Closed Group:

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Total equity at 30 June 2015	155,262	-	(32,261)	123,001
Total comprehensive loss for the year	-	-	(4,389)	(4,389)
Reserve transfers	-	(4)	-	(4)
Contributions of equity, net of issue costs	11,838	-	-	11,838
Total equity at 30 June 2016	167,100	(4)	(36,650)	130,446
Total comprehensive loss for the year	-	-	(4,925)	(4,925)
Reserves	-	49	-	49
Contributions of equity, net of issue costs	3,599	-	-	3,599
Total equity at 30 June 2017	170,699	45	(41,575)	129,169

44. Parent entity financial information

(a) Summary financial information

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Balance sheet				
Current assets	124,555	118,811	27,490	18,206
Total assets	456,784	617,113	244,884	249,978
Current liabilities	70,106	15,728	22,860	21,391
Total liabilities	96,002	187,690	80,969	91,542
Equity				
Contributed equity	491,751	482,620	170,698	167,100
Reserves	(940)	(2,545)	-	-
Accumulated losses	(130,029)	(50,652)	(6,784)	(8,664)
Total equity	360,782	429,423	163,914	158,436
(Loss)/profit for the year	(79,377)	42,826	1,880	(9,031)
Total comprehensive (loss)/income for the year	(78,377)	42,269	1,880	(9,031)

(b) Guarantees

In June 2013, Ardent Leisure Trust and Ardent Leisure Limited entered into an agreement to guarantee the obligations of Ardent Leisure US Holding Inc. (a wholly-owned subsidiary of Ardent Leisure Limited) under the terms of the Group's extended syndicated facility arrangements as disclosed in Note 24.

Excluding the above and the Deed of Cross Guarantee (refer to Note 43), there are no other material guarantees entered into by Ardent Leisure Limited and Ardent Leisure Trust in relation to the debts of their subsidiaries.

Notes to the Financial Statements for the year ended 30 June 2017

44. Parent entity financial information (continued)

(c) Contingent liabilities

On 25 October 2016, an incident on the Thunder River Rapids ride at Dreamworld resulted in four fatalities at the theme park. The park and adjoining WhiteWater World were subsequently closed for 45 days and re-opened on 10 December 2016. Rides in Dreamworld were progressively re-opened as independent safety reviews were completed.

The incident is the subject of ongoing investigations by the Queensland Police Service (QPS) and Workplace Health and Safety Queensland (WHSQ). The timing of the conclusion, and the findings, of both investigations are not yet known. The incident will be subject to a coronial inquest, the timing of which is also not yet known.

Ardent Leisure Trust and Ardent Leisure Limited expect to be subjected to prosecution proceedings by WHSQ and civil claims from families and other affected persons, however the nature, timing and likely outcome of such actions are not yet known.

As at 30 June 2017, it is too premature to provide any meaningful or reliable estimate of the quantum of potential pecuniary penalties or damages to civil claimants. Ardent Leisure Trust and Ardent Leisure Limited maintain appropriate insurances to respond to all such litigation and regulatory action and associated costs.

Unless otherwise disclosed in the financial statements, Ardent Leisure Trust and Ardent Leisure Limited have no other material contingent liabilities.

(d) Contractual commitments for the acquisition of property, plant and equipment

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated Group 2017 \$'000	Consolidated Group 2016 \$'000	ALL Group 2017 \$'000	ALL Group 2016 \$'000
Property, plant and equipment				
Payable:				
Within one year	-	-	75	104
	-	-	75	104

Commitments with respect to the above property, plant and equipment have been incurred by ALL on behalf of the Trust for the Australian and New Zealand geographic segments totalling \$75,000 (30 June 2016: \$104,000). Any commitments relating to the Australian and New Zealand geographic segments will therefore be subsequently reimbursed by the Trust the month following payment.

45. Events occurring after reporting date

Subsequent to 30 June 2017, a distribution of 1.0 cent per stapled security has been declared by the Board of Directors. The total distribution amount of \$4.7 million will be paid on or before 31 August 2017 in respect of the half year ended 30 June 2017.

As noted above, effective 14 August 2017, the Group completed the disposal of its Marinas business for gross sale proceeds (excluding working capital adjustments) of \$126.0 million.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matters or circumstances not otherwise dealt with in financial report or the Directors' report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2017.

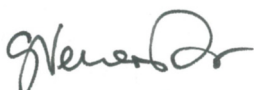
Directors' declaration to stapled security holders

In the opinion of the Directors of Ardent Leisure Management Limited and Ardent Leisure Limited:

- (a) The financial statements and notes of Ardent Leisure Trust and its controlled entities, including Ardent Leisure Limited and its controlled entities (Ardent Leisure Group) and Ardent Leisure Limited and its controlled entities (ALL Group) set out on pages 34 to 114 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Ardent Leisure Group's and ALL Group's financial position as at 30 June 2017 and of their performance, as represented by the results of their operations, their changes in equity and their cash flows, for the financial year ended on that date;
- (b) There are reasonable grounds to believe that both the Ardent Leisure Group and ALL Group will be able to pay their debts as and when they become due and payable;
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board; and
- (d) At the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 43 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee as described in Note 43.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



George Venardos
Chairman



Simon Kelly
Managing Director

Sydney
31 August 2017



Independent auditor's report

To the stapled security holders of Ardent Leisure Trust and Ardent Leisure Limited

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Ardent Leisure Group (the Group), which comprises Ardent Leisure Trust (the Trust) and its controlled entities, and Ardent Leisure Limited Group (the ALL Group), which comprises Ardent Leisure Limited (the Company or ALL) and its controlled entities, are in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended;
- b) giving a true and fair view of the ALL Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- c) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The consolidated financial reports of the Group and the ALL Group comprise:

- the balance sheets as at 30 June 2017;
- the income statements for the year ended 30 June 2017;
- the statements of comprehensive income for the year ended 30 June 2017;
- the statements of changes in equity for the year ended 30 June 2017;
- the statements of cash flows for the year ended 30 June 2017;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration to stapled security holders.

Basis for opinion

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

Independence

We are independent of the Group and the ALL Group in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

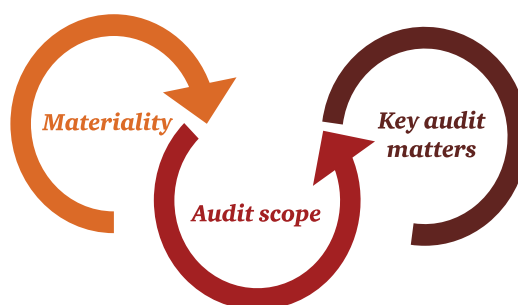
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report of the Group as a whole and on the financial report of the ALL Group as a whole, taking into account the geographic and management structure of the Group and the ALL Group, their accounting processes and controls and the industry in which they operate.

The Group and the ALL Group have three main operating segments being US Entertainment Centres, Australia Bowling and Entertainment Centres and Australian Theme Parks. Two operating segments, Marinas and Health Clubs were classified as discontinued operations during the year.



Materiality of the Group

- For the purpose of our audit of the Group, we used overall group materiality of \$1.6 million, which represents approximately 5% of the Group's profit before tax from continuing operations, adjusted for selected unusual or unfrequently occurring items.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole.
- We chose the Group's profit before tax from continuing operations because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
- We selected 5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope of the Group

- Our audit focused on where subjective judgements were made; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We structured our audit as follows:
 - Audit procedures were performed over financially significant segments and discontinued operations, assisted by local component auditors in the USA for US Entertainment Centres.
 - Further audit procedures were performed at a Group level, including audit procedures over the consolidation of the Group and the preparation of the financial report.
 - As part of our audit, PwC valuation experts and tax specialists assisted with the audit procedures on impairment models, property valuations and tax calculations.

To be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the financial report as a whole, there was regular communication with the component auditors throughout the audit with phone calls, discussions and written instructions, where appropriate. The group engagement team also visited the head office of US Entertainment Centres and met with management and the component auditors.

We also visited the following head offices- AMF Bowling (Sydney, Australia), Dreamworld (Gold Coast, Australia), Goodlife (Brisbane, Australia), D'Albora Marinas (Sydney, Australia) and Group/Head office (Sydney, Australia).

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
 - Carrying value of assets



- Divestment of Health Clubs and Marinas
- Construction of US Entertainment Centre assets
- Revenue recognition
- Dreamworld contingencies
- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period and were determined separately for the Group and ALL Group. Relevant amounts listed for the Group and ALL Group represent balances as they are presented in the financial reports and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial report of the Group as a whole and the financial report of the ALL Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Carrying value of assets	
Goodwill	
Group – Note 21	ALL Group – Note 21
Goodwill: \$83.0m	Goodwill: \$83.0m
Key audit matter	How our audit addressed the key audit matter
<p>The Group and ALL Group recognised goodwill of \$83.0 million as at 30 June 2017, allocated predominately to two cash generating units (CGUs), being Australian Bowling and Entertainment Centres and US Entertainment Centres.</p> <p>As required by Australian Accounting Standards, at 30 June 2017 the Group and ALL Group performed an assessment of whether there was any impairment of the goodwill balance by calculating the 'value in use' (VIU) for each CGUs' goodwill, using discounted cash flow models (models). Refer to page 73, note 21, for details of the impairment test and assumptions.</p> <p>This was a key audit matter due to the financial size of the goodwill balance and because the Group and ALL Group's assessment of the models involved significant judgements and estimates about the future results of the CGUs, and the discount rates and long-term growth rates applied to future cash flows.</p>	<p>We performed a number of audit procedures in relation to goodwill, including the following:</p> <ul style="list-style-type: none"> • Evaluating the CGUs' cash flow forecasts used in the models and the process by which they were developed, including testing the mathematical accuracy of the underlying calculations. • Comparing the cash flow forecasts for FY2018 in the models to the Board approved budgets for FY2018. We found that the cash flow forecast used in the models was consistent with the Board approved budgets and that the key assumptions were subject to oversight by the Directors. • Comparing the FY2017 actual results with prior year forecasts to assess the historical accuracy of the Group's forecasting processes. With assistance from PwC valuations experts, we also assessed: • key assumptions for long-term growth rates used in the models by comparing them to historical results and economic and industry forecasts; and • the discount rates used in the models by assessing the cost of capital for the Group by comparing it to market data and industry research. <p>We found that the long-term growth rates and the</p>

Carrying value of assets

discount rates used were consistent with our internally developed benchmarks, which were based on market data and industry research.

We then performed a sensitivity analysis on the models by adopting other assumptions which we viewed as reasonably possible for the FY2018 cash flow forecasts, the long term growth rates and the discount rates.

As a final test we also compared the Group's net assets as at 30 June 2017 of \$531.7 million to its market capitalisation of \$882.0 million as at 30 June 2017.

Australian Theme Parks (carried at fair value)

Group – Note 20, Note 40

Theme Parks (carried at fair value): \$186.4m

ALL Group

KAM not applicable

Key audit matter

The Group carries Australian Theme Parks assets (including associated land and buildings and major rides and attractions) at fair value. External valuers are utilised by the Group to assist in the valuation of the Australian Theme Park assets held at fair value.

This was a key audit matter due to the financial size of the balance and the inherent judgement involved in determining the fair value of Australian Theme Park assets, particularly because of the material valuation uncertainty as explained in note 20.

As at 30 June 2017 the Australian Theme Park assets measured at fair value were recognised at \$186.4 million. A valuation loss of \$88.7 million was recorded in the Group 30 June 2017 financial statements.

How our audit addressed the key audit matter

We performed a number of audit procedures in relation to the valuations, including the following:

- Assessing and considering the independence and qualifications of the Group's external valuers at 30 June 2017.
- With assistance from PwC valuation experts, considering the reasonableness of the key assumptions and variables used in the Group's external valuations, including growth and discount rates in light of our understanding of the business and the current market.
- Comparing the cash flow forecasts for FY2018 in the valuations to the Board approved budgets for FY2018.
- Comparing the FY2017 actual results with prior year forecasts to assess the historical accuracy of the Group's forecasting processes.
- Reconciling the underlying Management forecasts to the information used in the Group's external valuations.
- Reconciling the movement in fair value to the financial statements.

Divestment of Health Clubs and Marinas

Group – Note 16

Profit from discontinued operations: \$53.9m

ALL Group – Note 16

Profit from discontinued operations: \$18.6m

Key audit matter

During the year, the Group and ALL Group sold the operating segment Health Clubs for total proceeds of \$260 million. A gain on disposal of this business of \$44.8 million was recognised in the 30 June 2017

How our audit addressed the key audit matter

We performed a number of audit procedures in relation to the discontinued operations, including the following

- Obtaining the sale agreements for Health Clubs and Marinas to assess whether the sale

Divestment of Health Clubs and Marinas

financial statements by the Group and a gain on disposal of \$18.2 million was recognised by the ALL Group.

Marinas remains a discontinued operation as at 30 June 2017, with a Put and Call Option Deed signed on 9 December 2016 to sell the d'Albora Marinas business. Total consideration for the sale was \$126m. The Business Purchase Deed was executed on 14 August 2017.

This was a key audit matter because of the significant impact of the gain on disposal on the profit and the importance to readers of the disclosure of the discontinued operations in the financial reports.

transactions were recorded and disclosed in accordance with the terms of the respective sale agreements.

- Performing audit procedures on the Health Club's balance sheet on the date the sale transaction was completed.
- Reperforming the calculations of the gain on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities disposed.
- Agreeing the consideration received from the sale to the respective contracts and to bank records.
- Assessing the Group and ALL Group's calculation that the current carrying value of Marinas is less than the fair value less costs to sell of the disposal group.
- Examining the discontinued operations disclosures included in the financial report in line with the requirements of the Australian Accounting Standards.

Construction of US Entertainment Centre assets

Group – Note 18, Note 20, Note 38

US Entertainment Centre Acquisitions: \$158.9m

ALL Group – Note 18, Note 20, Note 38

US Entertainment Centre Acquisitions: \$158.9m

Key audit matter

During the year, the Group and ALL Group constructed several centres in the US Entertainment Centres segment, which resulted in asset additions recognised of \$158.9 million, which predominately relate to property, plant and equipment. These assets were funded through the Group's debt facility and third party funding. Third party advances of \$50.1 million have been recognised in the 30 June 2017 financial statements by the Group and ALL Group.

This was a key audit matter because of the material impact of the asset additions and third party advances on the financial report.

How our audit addressed the key audit matter

We performed detailed testing of a sample of asset additions, which included the following:

- Agreeing the amount of the asset addition to an invoice or contract.
- Checking the approval of the asset addition was within the delegations of authority and the board approved budget.
- Testing whether the asset addition was capital in nature by inspecting the description of the asset on the invoice or contract.

We performed detailed testing of the third party funding arrangements, which included the following:

- Obtaining third party funding contracts.
- Agreeing the advanced deposits recorded to the contract and bank records.
- Testing whether the assets and advances were appropriately disposed and settled upon completion of the construction of the centre by comparing the completion date to the certificate of completion and considering the

Construction of US Entertainment Centre assets

final invoice and payment to indicate the transfer of risk.

Revenue recognition

Group – Note 3

Revenue from continuing operations: \$498.0m

ALL Group – Note 3

Revenue from continuing operations: \$498.0m

Key audit matter

The Group's and ALL Group's revenue is based on a very high volume of transactions across several businesses, which each have several streams of revenue, such as entry revenue, games revenue and food and beverage revenue. Each of these revenue streams is underpinned by different POS systems and detailed processes and controls.

Whilst there is little estimation or judgement involved in the recognition of the Group's and ALL Group's revenue, our focus was whether revenue was being correctly recorded (accuracy) and also recognised in the appropriate period (cut-off). Due to the opportunity for manual intervention and the high volume of transactions, and the interfaces of the multiple POS systems with the general ledger system, there is potential for these transactions to be recorded incorrectly.

This was a key audit matter due to the quantum of the Group's revenue, and the number of different revenue streams and associated systems and processes.

How our audit addressed the key audit matter

We developed an understanding of the revenue processes and performed detailed testing of a sample of revenue transactions, which included the following:

- Assessing the consistency of the application of the revenue recognition policy by considering the accounting policy for the different sources of the Group and ALL Group's revenue. Developing an understanding of and evaluated the key controls in place for each revenue stream, including both automated and manual controls.
- Performing tests of the key manual internal controls over revenue recognised in the financial statements.
- Using Computer Assisted Audit Techniques to perform testing of the occurrence of a sample of recorded revenue transactions, and testing a sample of journal entries posted to revenue and other general ledger accounts.
- For all major revenue streams, agreeing a sample of transactions from the general ledger listing to supporting documentation, including bank statements. This included checking a sample of transactions either side of the Group year end date were recorded in the appropriate period.

Dreamworld contingencies

Group – Note 41

ALL Group – Note 41

Key audit matter

We focused on this area because of the incident that occurred at Dreamworld on 25 October 2016. The incident is the subject of ongoing investigations by the Queensland Police Service and Workplace Health and Safety Queensland. The incident will be subject to a coronial inquest, the timing of which is not yet known.

This was a key audit matter because in assessing and measuring potential liabilities and contingencies, the Group and ALL Group are required to make judgements based on available

How our audit addressed the key audit matter

Our procedures included, amongst others:

- Discussing legal and regulatory matters with Group Legal Counsel. We sought and obtained access to relevant documents in order to develop our understanding of these matters.
- Evaluating accounting policies relating to the treatment of potential legal obligations attributable to the incident.
- For outstanding legal and regulatory matters,

Dreamworld contingencies

information of the probability and estimation of potential financial outcomes, which may be dependent on legal and regulatory processes.

considering the Group's judgement as to whether there is potential material financial exposure for the Group.

- Where the Group determined that they were unable to reliably estimate the possible financial impact of a legal or regulatory action, we assessed the appropriateness of their conclusion.
- Assessing the adequacy of the related disclosures in light of the requirements of Australian Accounting Standards.

Other information

The directors of the Ardent Leisure Limited and Ardent Leisure Management Limited, the responsible entity of the Ardent Leisure Trust, (collectively referred to as the "directors") are responsible for the other information. The other information included in the Group's and the ALL Group's annual report comprises the Director's report for the year ended 30 June 2017 (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Investor Analysis, Investor Relations and the Corporate Directory.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the ALL Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the ALL Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 reports.

A further description of our responsibilities for the audit of the financial reports 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.

Report on the remuneration report

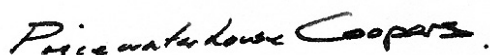
Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Ardent Leisure Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Ardent Leisure Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Timothy J Allman
Partner

Brisbane
31 August 2017

Investor Analysis

Top 20 Investors as at 31 August 2017

		No. of Securities	%
1	HSBC Custody Nominees (Australia) Limited	84,481,947	18.00
2	J P Morgan Nominees Australia Limited	71,984,761	15.34
3	National Nominees Limited	29,537,098	6.29
4	Portfolio Services Pty Ltd	21,965,804	4.68
5	Kayaal Pty Ltd	18,470,782	3.94
6	BNP Paribas Noms Pty Ltd	15,897,069	3.39
7	UBS Nominees Pty Ltd	14,609,718	3.11
8	CS Third Nominees Pty Limited	13,628,729	2.90
9	Citicorp Nominees Pty Limited	13,258,037	2.83
10	HSBC Custody Nominees (Australia) Limited - A/C 2	12,585,204	2.68
11	BNP Paribas Nominees Pty Ltd	10,743,022	2.29
12	RBC Investor Services Australia Nominees Pty Ltd	8,233,333	1.75
13	National Nominees Limited	5,959,947	1.27
14	UBS Nominees Pty Ltd	4,785,893	1.02
15	Ragusa Pty Ltd	4,626,603	0.99
16	Ragusa Pty Ltd	3,071,942	0.65
17	Citicorp Nominees Pty Limited	3,056,020	0.65
18	Merrill Lynch (Australia) Nominees Pty Limited	1,810,539	0.39
19	Balnaves Foundation Pty Ltd	1,795,243	0.38
20	Portfolio Services Pty Ltd	1,250,000	0.27
Total		341,751,691	72.83
Balance of Register		127,482,201	27.17
Grand Total		469,233,892	100.00

Range Report as at 31 August 2017

	No. of Securities	%	No of Holders	%
100,001 and Over	367,957,031	78.42	139	1.13
10,001 to 100,000	70,940,531	15.12	2,812	22.27
5,001 to 10,000	16,314,707	3.48	2,142	17.34
1,001 to 5,000	12,759,546	2.72	4,444	35.98
1 to 1,000	1,262,077	0.27	2,813	22.78
Total	469,233,892	100.00	12,350	100.00

The total number of investors with an unmarketable parcel of 78,530 securities as at 31 August 2017 was 1,046.

Voting Rights

On a poll, each investor has, in relation to resolutions of the Trust, one vote for each dollar value of their total units held in the Trust and in relation to resolutions of the Company, one vote for each share held in the Company.

On-Market Buy-back

There is no current on-market buy-back program in place.

Substantial Shareholder Notices Received as at 31 August 2017

	No. of Securities	%
The Ariadne Substantial Holder Group*	51,116,531	10.90%
Viburnum Funds Pty Ltd	45,951,509	9.79%
FIL Ltd	40,478,296	9.15%
Ausbil Investment Management Ltd	37,280,709	8.05%
Investec Australia Limited	37,261,564	7.94%
BT Investment Management Ltd	22,815,453	5.63%
JCP Investment Partners Ltd	24,117,135	5.14%
Sumitomo Mitsui Trust Holdings Inc	23,494,066	5.01%

*The Ariadne Substantial Holder Group includes the following companies and partnerships – Portfolio Services Pty Limited, Ariadne Holdings Pty Limited, Ariadne Australia Limited, Bivaru Pty Limited and Kayaal Pty Ltd

Stapling Disclosure

The ASX reserves the right (but without limiting its absolute discretion) to remove the Company or the Trust or both from the official list if any of the shares and the units cease to be “stapled” together or any equity securities are issued by the Company or Trust which are not stapled to equivalent securities in the other entity.

Investor Relations

The website is a useful source of information about the Group and its business and property portfolio. The site contains a variety of investor information, including presentations, webcasts, newsletters, half year updates, annual reports, distribution history and timetable, security price information and announcements to the ASX.

Corporate Governance Statement

In accordance with the ASX Listing Rules, the Group's Corporate Governance Statement dated 30 June 2017 is published and located in the Corporate Governance page of the Group's website (<http://www.ardentleisure.com.au/Company/Corporate-Governance.aspx>). A copy has also been provided to the ASX.

Investor benefits program

The investor benefits program aims to provide investors with an opportunity to experience and enjoy Ardent Leisure assets. Investors with a minimum of 2,000 stapled securities are entitled to discounts and incentives to allow investors and their families to engage with and enjoy the various leisure activities offered by the Group. For more details on the current benefits offered under the program and how to participate, please visit the Investor Centre page at www.ardentleisure.com. Note that the investor benefits offerings are subject to change and the program terms and conditions.

The investor benefits program does not have a material impact on the income of the Group.

Distribution payments and annual taxation statement

Distributions are currently payable twice a year and received by investors approximately seven to eight weeks after each half year end. To view your 2016/17 annual taxation statement online, please visit the Link Investor Service Centre at www.linkmarketservices.com.au

Distribution Reinvestment Plan (DRP)

The DRP did not apply for the half year ended 30 June 2017. Please note that the terms and conditions of the DRP may vary from time to time. Details of any changes (and whether the DRP continues to operate or is suspended) will be announced to the ASX.

Contact details

Security registry

To access information on your holding or to update/change your details, contact:

Link Market Services Limited

1300 720 560 (within Australia)
+61 1300 720 560 (outside Australia)

Telephone

1300 720 560 (within Australia)
+61 1300 720 560 (outside Australia)

Facsimile

+61 2 9287 0303

Website

www.linkmarketservices.com.au

Email

registrars@linkmarketservices.com.au

All other enquiries relating to your Ardent Leisure Group investment or complaints can be directed to:

Ardent Leisure Group

Level 16, 61 Lavender Street
Milsons Point NSW 2061

Telephone

1800 ARDENT (within Australia)
+61 2 9409 3670 (outside Australia)

Facsimile

+61 2 9409 3679

Email

investor.relations@ardentleisure.com

External dispute resolution

In the event that a complaint cannot be resolved within a reasonable period of time (usually 45 days) or you are not satisfied with our response, you can seek assistance from Financial Ombudsman Service Limited (FOS). FOS provides a free and independent dispute resolution service to our investors. FOS's contact details are below:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001

Email

info@fos.org.au

Telephone

1800 367 287 (within Australia)

Facsimile

+61 3 9613 6399

Corporate Directory

Manager

Ardent Leisure Management Limited
ABN 36 079 630 676
AFSL No. 247010

Company

Ardent Leisure Limited
ABN 22 104 529 106

Registered office
Level 16, 61 Lavender Street
Milsons Point NSW 2061

Directors

Roger Davis
David Haslingden
Randy Garfield (appointed 14 August 2017)
Simon Kelly (appointed 9 June 2017)
Don Morris AO
Brad Richmond (appointed 3 September 2017)
George Venardos (Chairman)
Gary Weiss (appointed 3 September 2017)
Melanie Willis (resigned 8 September 2017)

Managing Director and Chief Executive Officer
Simon Kelly

Chief Financial Officer
Geoff Richardson

Company Secretary
Bronwyn Weir

Telephone
1800 ARDENT (within Australia)
+61 2 9409 3670 (outside Australia)

Facsimile
(02) 9409 3679 (within Australia)
+61 2 9409 3679 (outside Australia)

Email
investor.relations@ardentleisure.com

Website
www.ardentleisure.com

ASX code

AAD

Custodian

Perpetual
Level 13, 123 Pitt Street
Sydney NSW 2000

Auditor of the Group

PricewaterhouseCoopers
Riverside Centre
123 Eagle Street
Brisbane QLD 4000