EVENT

HOSPITALITY & ENTERTAINMENT

EST 1910

ABN 51 000 005 103

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

Annual Report 2018

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

ABN 51 000 005 103

2018 ANNUAL REPORT

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DIRECTORS' REPORT

The directors present their report together with the financial report of EVENT Hospitality & Entertainment Limited, being the Company and its controlled entities ("Group"), for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The directors of the Company in office at any time during or since the end of the year are:

AG Rydge (Chairman)
Director since 1978

KG Chapman
Director since 2010

PR Coates
Director since 2009

VA Davies
Director since 2011

DC Grant
Director since 2013

JM Hastings (Managing Director)
Appointed 1 July 2017

PM Mann
Director since 2013

RG Newton
Director since 2008.

Directors' qualifications, experience and independent status

Alan Rydge

Non-executive Chairman, Board member since 1978, Chairman of the Board since 1980. Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee.

Experience

A company director with 40-plus years experience in the film, hospitality, leisure and tourism industries. Joined the Greater Union group in 1971 and was formerly the Group Managing Director.

Directorships

Mr Rydge is also a director of the listed company, Carlton Investments Limited (appointed 1980, chairman since 1980). In addition, Mr Rydge is chairman of Alphoeb Pty Limited and Enbeear Pty Limited.

Kenneth Chapman ***MB BS, FAICD, FAIM, AFRACMA***

Independent non-executive director and Board member since 2010.

Experience

A company director with 20-plus years senior executive experience in the tourism and real estate sectors. Currently, chief executive officer of Skyrail-ITM and executive director of the Chapman group of companies.

Directorships

Positions held by Mr Chapman during the last three years include:

- director of Aquis Entertainment Limited (appointed 14 August 2015, resigned 3 November 2016);
- chairman of Skyrail Pty Ltd trading as Skyrail Rainforest Cableway;
- chairman of Far North Queensland Hospital Foundation;
- chairman of Skyrail Rainforest Foundation Limited; and
- director of various entities associated with the privately held Chapman group of companies.

Directors' qualifications, experience and independent status (continued)

Peter Coates ***AO, BSc (Mining Engineering), FAICD, FAusIMM***
Independent non-executive director and Board member since 2009. Mr Coates served as a member of the Audit and Risk Committee and as a member and Chairman of the Nomination and Remuneration Committee until 2015. Mr Coates is the lead independent director.

Experience
A company director with more than 50 years of resource industry experience including as CEO of Xstrata and Glencore's global coal businesses until his retirement in December 2007. Mr Coates was a past non-executive chairman of Santos Limited, Sphere Minerals Limited and Minara Resources Ltd, and a past chairman of the Minerals Council of Australia, NSW Minerals Council and Australian Coal Association. He was made an Officer of the Order of Australia in 2009 and awarded the Australasian Institute of Mining and Metallurgy Medal in 2011.

Directorships
Positions held by Mr Coates during the last three years include:
- director of Glencore plc;
- chairman of the Industry Advisory Council for the School of Minerals and Energy Resource Engineering, UNSW;
- director of Santos Limited (resigned 19 February 2018); and
- director and chairman of Sphere Minerals Limited (resigned 22 June 2016).

Valerie Davies ***FAICD***
Independent non-executive director and Board member since 2011.

Experience
A company director with more than two decades of broad experience across diverse sectors, including tourism, property, health and media. In parallel, Ms Davies has more than 20 years senior executive experience in corporate communications, as Principal of her own consultancy One.2.One Communications Pty Ltd.

Directorships
Positions held by Ms Davies during the last three years include:
- director of Cedar Woods Properties Limited;
- director of HBF Health Limited (resigned 24 October 2017); and
- commissioner of Tourism Western Australia.

David Grant ***BComm, CA, GAICD***
Independent non-executive director, Board member since 2013, Chairman of the Audit and Risk Committee and Chairman of the Nomination and Remuneration Committee.

Experience
Mr Grant is a Chartered Accountant with 25-plus years accounting and finance experience spanning both the accounting profession and the commercial sector. Mr Grant's executive career included roles with Goodman Fielder Limited and Iluka Resources Limited as well as co-founding a privately held resource exploration venture in New Zealand. Mr Grant was formerly a non-executive director of Consolidated Rutile Limited.

Directorships
Positions held by Mr Grant during the last three years include:
- director of iiNet Limited (resigned 7 September 2015); and
- director of Murray Goulburn Co-operative Co. Limited (appointed 27 October 2017).

Directors' qualifications, experience and independent status (continued)

Jane Hastings *BComm*
Managing Director and Chief Executive Officer ("CEO") from 1 July 2017.
Experience
Ms Hastings has more than 20 years' experience in the tourism, hospitality and entertainment sectors. Ms Hastings previously held a number of senior positions with APN News & Media Limited, including CEO of The Radio Network (2012 – 2014) and CEO of New Zealand Media and Entertainment (NZME) (2014 – 2016). Ms Hastings was appointed as the Group's Chief Operating Officer with effect from 29 August 2016 and on 27 April 2017, the Group announced that Ms Hastings would succeed Mr DC Seargeant as the Group's Managing Director and CEO from 1 July 2017.
Directorships
Ms Hastings is also a New Zealand Film Commission board member.

Patria Mann *BEc, CA, FAICD*
Independent non-executive director and Board member since 2013. Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee.
Experience
Mrs Mann is a Chartered Accountant, a former partner of KPMG and a company director with over 25 years' experience. She has been a professional non-executive director for over 15 years. Mrs Mann has extensive audit, investigation, risk management and corporate governance experience.
Directorships
Positions held by Mrs Mann during the last three years include:
- director of Bellamy's Australia Limited (appointed 10 March 2016, resigned 18 May 2017);
- director of Ridley Corporation Limited;
- director of Perpetual Superannuation Limited (resigned 31 October 2016); and
- director of Allianz Australia Limited.

Richard Newton *BBus (Marketing), FAICD*
Independent non-executive director and Board member since 2008.
Experience
A company director with 20-plus years senior executive experience in property investment and development, specifically in hotel operations.
Directorships
Positions held by Mr Newton during the last three years include:
- chairman of Capricorn Village Joint Venture, WA;
- chairman and director of Selpam (Australia) Pty Limited and a director of various companies wholly owned by Selpam (Australia) Pty Limited; and
- director of Bonsey Jaden Pte Ltd, a digital advertising agency.

Explanation of abbreviations and degrees: ***AFRACMA*** Associate Fellow of The Royal Australasian College of Medical Administrators; ***AO*** Officer in the Order of Australia; ***BBus (Marketing)*** Bachelor of Business (Marketing); ***BComm*** Bachelor of Commerce; ***BEc*** Bachelor of Economics; ***BSc (Mining Engineering)*** Bachelor of Science (Mining Engineering); ***CA*** Member of Chartered Accountants Australia and New Zealand; ***FAICD*** Fellow of the Australian Institute of Company Directors; ***FAIM*** Fellow of the Australian Institute of Management; ***FAusIMM*** Fellow of the Australasian Institute of Mining and Metallurgy; ***GAICD*** Graduate Member of the Australian Institute of Company Directors; and ***MB BS*** Bachelor of Medicine and Bachelor of Surgery.

COMPANY SECRETARIES
GC Dean CA, ACIS was appointed to the position of Company Secretary for EVENT Hospitality & Entertainment Limited in December 2002. GC Dean was Accounting Manager for the Company (2001 – 2002) and is a Chartered Accountant and a member of the Governance Institute of Australia.

DI Stone FCA, ACIS was appointed to the position of Company Secretary for EVENT Hospitality & Entertainment Limited in February 2012. Prior to this appointment, DI Stone was an audit senior manager at KPMG. DI Stone is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Governance Institute of Australia.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition. The Group has disclosed its 2018 Corporate Governance Statement in the Corporate Governance section on the EVENT website (https://www.evt.com/investors/). As required, the Group has also lodged the 2018 Corporate Governance Statement and Appendix 4G with the ASX.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the year are set out below:

	Directors' meetings		**Audit and Risk Committee meetings**		**Nomination and Remuneration Committee meetings**	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
AG Rydge	9	9	4	4	5	5
KG Chapman	9	9	–	–	–	–
PR Coates	9	9	–	–	–	–
VA Davies	9	9	–	–	–	–
DC Grant	9	9	4	4	5	5
JM Hastings [(a)]	9	9	4	4	4	4
PM Mann	9	8	4	4	5	5
RG Newton	9	9	–	–	–	–

(a) JM Hastings attended Audit and Risk Committee and certain Nomination and Remuneration Committee meetings by invitation. Other directors who are not members of a committee may attend meetings by invitation from time to time.

During the year, directors also visited various sites to improve their understanding of the Group's locations and operations.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the year included the following:

- cinema exhibition operations in Australia, including technology equipment supply and servicing, and the State Theatre;
- cinema exhibition operations in New Zealand;
- cinema exhibition operations in Germany;
- ownership, operation and management of hotels and resorts in Australia and overseas;
- operation of the Thredbo resort including property development activities; and
- property development, investment properties, and investment in shares in listed and unlisted companies.

There were no significant changes in the nature of the activities of the Group during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year.

OPERATING AND FINANCIAL REVIEW

Overview of the Group

Net profit after tax was $111,910,000 (2017: $110,819,000), an increase of $1,091,000 or 1.0% above the prior year result. The normalised result before interest and income tax expense was $190,270,000 (2017: $169,932,000), an increase of $20,338,000 or 12.0% and the normalised result after tax was $124,281,000 (2017: $113,684,000), an increase of $10,597,000 or 9.3% above the prior year result.

The individually significant items for the year are set out on page 7. The individually significant items were a net expense item after tax of $12,371,000 (2017: net expense item after tax of $2,865,000).

Overview of the Group (continued)
A summary of the normalised result is outlined below:

	2018		2017		2016	
	Normalised result * $'000	Reconciliation to reported net profit $'000	Normalised result * $'000	Reconciliation to reported net profit $'000	Normalised result * $'000	Reconciliation to reported net profit $'000
Entertainment						
Australia	68,600	68,600	78,957	78,957	88,515	88,515
New Zealand	11,150	11,150	10,787	10,787	10,508	10,508
Germany	19,918	19,918	22,246	22,246	36,042	36,042
Hospitality and Leisure						
Hotels and Resorts	69,270	69,270	52,734	52,734	51,597	51,597
Thredbo Alpine Resort	21,838	21,838	18,187	18,187	15,007	15,007
Property and Other Investments	16,528	16,528	9,343	9,343	5,584	5,584
Unallocated revenue and expenses	(17,034)	(17,034)	(22,322)	(22,322)	(21,308)	(21,308)
Normalised profit before interest and tax	190,270	190,270	169,932	169,932	185,945	185,945
Finance revenue	599	599	807	807	915	915
Finance costs	(7,655)	(7,655)	(9,802)	(9,802)	(8,946)	(8,946)
Normalised profit before tax	183,214	183,214	160,937	160,937	177,914	177,914
Income tax expense	(58,933)	(58,933)	(47,253)	(47,253)	(51,934)	(51,934)
Normalised profit after tax	124,281	124,281	113,684	113,684	125,980	125,980
Individually significant items – net of tax		(12,371)		(2,865)		4,268
Profit for the year		111,910		110,819		130,248

* Normalised result is profit for the year before individually significant items (as outlined in Note 2.3 to the financial statements and in the table below). As outlined in Note 2.2 to the financial statements, this measure is used by the Group's CEO to allocate resources and in assessing the relative performance of the Group's operations. The normalised result is an unaudited non-International Financial Reporting Standards measure.

Overview of the Group (continued)

An analysis of the last five years is outlined below:

	2018	2017	2016	2015	2014
Total revenue and other income ($'000)	1,289,738	1,294,269	1,280,889	1,174,662	1,097,138
Basic earnings per share (cents)	69.9	69.6	82.2	68.9	49.7
Dividends declared[(a)] ($'000)	83,670	81,886	81,886	85,097	67,435
Dividends per share (cents)	52	51	51	45	42
Special dividend per share (cents)	–	–	–	8	–

(a) Includes the interim dividend paid and the final and special dividends declared in relation to the financial year ended 30 June.

Individually significant items

Individually significant items comprised the following:

	2018 $'000	2017 $'000
Impairment charges	(18,525)	(10,986)
Managing Director retirement and transition costs	–	(5,526)
Net proceeds from insurance	1,148	5,457
Write-back of expired voucher stock	–	5,184
Other individually significant items (net)	(296)	2,255
Individually significant items before income tax	(17,673)	(3,616)
Income tax benefit	5,302	751
Individually significant items after income tax	(12,371)	(2,865)

The individually significant items for the year included impairment charges, restructure, redundancy and closure costs, and hotel pre-opening expenses offset by termination fees in relation to certain hotel management agreements. The individually significant items for the prior year included impairment charges, Managing Director retirement and transition costs and hotel pre-opening expenses offset by net proceeds from insurance, the write-back of expired voucher stock, profit on sale of a cinema circuit in Fiji and profit on sale of apartments.

Investments

The Group acquired property, plant and equipment totalling $169,388,000 during the year. The significant acquisitions and capital additions include the following:

- QT Queenstown, QT Perth and Atura Adelaide Airport hotel developments;
- the redevelopment of QT Museum Wellington;
- cinema developments at Smithfield (QLD), Palmerston (NT), Whitford (WA), Plenty Valley (VIC), Coomera (QLD) and Kawana (QLD); and
- refurbishment requirements for the cinemas, hotels and resorts.

Property

The Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, is independently valued by registered qualified valuers on a progressive three year cycle. Independent valuations for the majority of the Group's properties have been obtained at 30 June 2018, and the revised total value of the Group's interest in land and buildings, excluding investment properties, based on these independent valuations is $1,963,300,000 (refer to Note 3.3 to the financial statements) whilst the total written-down book value of these land and buildings including integral plant and equipment at 30 June 2018 was $1,118,029,000. The total value of the investment properties at 30 June 2018 was $74,000,000.

Capital structure

Cash and term deposits at 30 June 2018 totalled $95,564,000 and total bank debt outstanding was $375,540,000.

Treasury policy
The Group manages interest rate risk in accordance with a Board approved policy covering the types of instruments, range of protection and duration of instruments. The financial instruments cover interest rate swaps and forward rate agreements. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the Group to raise long term borrowings at floating rates and swap a portion of those borrowings into fixed rates.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. At 30 June 2018, the Group had no interest rate hedges (2017: no interest rate hedges) due to the low level of Group debt.

Liquidity and funding
The Group's secured bank debt facilities were amended and restated on 15 August 2017 and comprise the following:

- $545,000,000 revolving multi-currency loan facility; and
- $15,000,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities mature on 15 August 2020 and are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 1.15% and 2.1% per annum.

Cash flows from operations
Net operating cash inflows increased to $207,749,000 from $188,681,000 recorded in the prior comparable year. This increase was driven by an overall increase in operating cash flow from the Group's major operating businesses and a reduction in tax paid due to timing differences.

Impact of legislation and other external requirements
There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results of operations of the Group.

REVIEW OF OPERATIONS BY DIVISION
ENTERTAINMENT
Entertainment – Australia

As at 30 June	2018	2017	Movement
Cinema locations *	77	73	4
Cinema screens *	703	674	29

* Managed and joint venture cinema sites (excludes Moonlight Cinema sites and screens).

The normalised profit before interest and income tax expense was $68,600,000, a decrease of $10,357,000 or 13.1% below the prior comparable year.

The total Australian Box Office for the year finished 4.7% below the prior year and the Group's box office traded in line with market. The titles that grossed over $30 million at the Australian Box Office during the year included: *Avengers: Infinity War* ($61.7 million); *Star Wars: The Last Jedi* ($58.0 million); *Jumanji: Welcome to the Jungle* ($48.6 million); *Black Panther* ($40.7 million); *Deadpool 2* ($35.5 million); *Thor: Ragnarok* ($35.2 million); and *The Greatest Showman* ($34.4 million). The top 50 films grossed $893.2 million, only $1.2 million behind the top 50 films of 2017 which grossed $894.5 million however the balance of the 2018 slate outside of the top 50 films was 16.1% below the prior year.

The total revenues for the division were correspondingly impacted by the fall in the Australian Box Office. The average admission price declined by 1.7% due to targeted discounting which was largely offset by increased admissions and merchandising spend. Strong growth in Merchandising spend per admission of 4.3% was achieved as a result of new digital conversion campaigns and a greater focus on core range sales. Cost of goods sold reduced by 3.4% resulting in an overall increase in merchandising profit per customer. Good growth in other revenues including advertising up 7% and online booking fees up 22% underpinned by a 42% increase in online transactions. Costs were impacted by rising energy and electricity charges which increased by 12% ($1,161,000) and new site opening expenses of $826,000.

The Group's focus on a premium and value cinema model has delivered good results, with most value sites benefitted from a combination of increased admissions and merchandising spend. In premium locations, the Group has been able to achieve an increase in the average admission price at peak times and an increase in the percentage of customers choosing premium cinemas relative to traditional cinemas during the year.

DIRECTORS' REPORT

The Group continued to pursue increased market share and visitation loyalty through the Cinebuzz program with membership increasing by a record 33% which represents an increase of over 500,000 members since 30 June 2017. Cinebuzz member bookings now represent 64% of total admissions and the program is a powerful marketing and sales channel.

During the year the Group opened four new cinemas, totalling 29 screens. These included new Event Cinemas in Smithfield (Cairns) which includes one Vmax and five traditional screens, Palmerston (Darwin), which includes two Vmax and four traditional screens, and Whitford (Perth) which includes two Gold Class, two Vmax and four traditional screens. In addition, Village Plenty Valley opened in April 2018 including Gold Class and Vmax auditoria. These new sites contributed negatively to earnings, as expected in the first year of trading. With the exception of Palmerston, the cinemas are trading in line with initial expectations. New Event Cinemas in Coomera (Gold Coast) and Kawana (Sunshine Coast) are due to open later in 2018 and will incorporate premium cinemas and new concepts.

Entertainment – New Zealand

As at 30 June	2018	2017	Movement
Cinema locations *	19	18	1
Cinema screens *	129	124	5

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $11,150 000, an increase of $1,105,000 or 11.0% above the prior year after adjusting for the contribution from the Fiji Cinema Joint Venture in the prior year.

Total New Zealand Box Office fell by 1.5% whilst the Group's box office revenues were marginally above the prior year. The five highest-grossing titles within the New Zealand market included: *Avengers: Infinity War* (NZ$9.8 million); *Star Wars: The Last Jedi* (NZ$8.4 million); *Black Panther* (NZ$ 6.8 million); *Thor: Ragnarok* (NZ$6.8 million); and *Jumanji: Welcome to the Jungle* (NZ$6.4 million). These five titles achieved a combined total of NZ$38.2 million compared to the top five titles in the prior year which collectively grossed NZ$30.6 million. Whilst these highest-grossing titles performed very well, mid-tier film product was comparatively weaker with only 51 films grossing over NZ$1.0 million compared to 57 titles in the prior year. Local film content was also comparatively weak, with New Zealand titles comprising 2.4% of box office compared to 3.5% in the prior year.

Merchandising spend per admission increased by 3.5%, driven by a focus on the core product range and a number of successful candy bar combo promotions. There was a strong increase in online booking fee revenue of 44% over the prior year, with 30% of all admissions booked online. Costs decreased by $1,556,000 on flat admissions driven by a focus on new operating models.

Income from the Virtual Print Fee ("VPF") arrangements totalled $932,000 (2017: $1,397,000). These arrangements are expected to conclude in the 30 June 2019 year with remaining income of approximately $732,000.

The New Zealand circuit continues to pursue market share through the Cinebuzz loyalty program, with membership increasing by 17% since 30 June 2017.

The Group disposed of its two-thirds interest in the Fiji Cinema Joint Venture on 29 June 2017. The prior year result included the Group's share of earnings from the Fiji Cinema Joint Venture of $742,000.

Entertainment – Germany

As at 30 June	2018	2017	Movement
Cinema locations *	54	52	2
Cinema screens *	418	409	9

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $19,918,000, a decline of $2,328,000 or 10.5% below the prior comparable year.

The result reflects an 8.9% fall in the total German market admissions which was impacted by the relative underperformance of the release slate, extreme and record weather conditions and disruption caused by the staging of the FIFA World Cup that was held in June and July 2018. The top ten titles at the German Box Office during the year were: *Fack Ju Göhte 3* (6.1 million admissions); *Star Wars: The Last Jedi* (5.9 million admissions); *Despicable Me 3* (4.6 million admissions); *Avengers: Infinity War*

(3.3 million admissions); *IT* (3.1 million admissions); *Fifty Shades Freed* (2.8 million admissions); *Deadpool 2* (2.0 million admissions); *Dieses Bescheuerte Herz* (2.0 million admissions); *Jumanji: Welcome to the Jungle* (2.0 million admissions); and *Bullyparade – Der Film* (1.9 million admissions). The top ten films achieved total market admissions of 33.70 million, consistent with the top ten films of the 2017 year which achieved 33.74 million admissions. Outside of the top ten films, the market underperformed on a comparative basis, down 12.5%. German-produced films represented 21.2% (2017: 13.9%) of the German Box Office and admissions to German films increased by 36% over the previous year. The online ticketing percentage increased 16.8%.

Average admission price and screen advertising revenues were consistent with the prior year whilst merchandising profit per admission increased by 7.3% and booking fee income was up 7.4%. Costs were well managed and the strengthening of the Euro by 5.7% against the Australian dollar also assisted with the conversion.

Income from the Virtual Print Fee ("VPF") arrangements totalled $6,819,000 (2017: $5,795,000) and this income item is expected to wind-down over the next two years and conclude in the 30 June 2020 year. The VPF income for the 2019 and 2020 financial years is expected to deliver approximately $2,632,000 and $2,630,000 respectively.

The Cinestar loyalty program was enhanced and has increased the membership base by 27.8%. A strong focus on increasing loyalty members and the introduction of online package sales is expected to deliver further growth.

Cinema locations increased during the year with the addition of the two-screen leased site Weimar Atrium and the 7-screen freehold site Neumünster. There are three new leasehold sites under current development including: Augsburg, with 9-screens and expected to open in October 2018; Remscheid with 5-screens and expected to open in the first quarter of the 2019 calendar year; and Freising with 5-screens and also expected to open in the first quarter of the 2019 calendar year. The three new cinemas will incorporate traditional as well as introduce premium seating concepts.

HOSPITALITY AND LEISURE

Hotels and Resorts

As at 30 June	2018	2017	Movement
Locations *	55	58	(3)
Rooms *	8,975	9,132	(157)

* Owned and managed hotels.

The normalised profit before interest and income tax expense was $69,270,000, an increase of $16,536,000 or 31.4% above the prior comparable year.

Occupancy in the Group's owned hotels (all brands) increased three percentage points to 79.5% whilst the average room rate increased by 3.4% to $185, resulting in an increase in revenue per available room ("revpar") of 7.5%. In locations where comparable competitive statistics are available, the majority of the Group's owned and managed hotels exceeded market RevPar growth. The majority of the Group's owned hotels delivered earnings growth with a total of 56% of growth coming from new hotels QT Melbourne (opened September 2016), QT Queenstown (opened December 2017) and Rydges Geelong (acquired March 2017), and 44% from all other owned hotels. The Sydney market continues to perform well, albeit with some supply induced softening impacting demand in the second half, and new supply in Melbourne capped growth in that location.

Occupancy in the Group's owned Rydges hotels increased by two percentage points to 80.3% and the average room rate increased marginally to $159, resulting in an increase in revpar of 3.6%. Demand levels remained close to all time highs for the majority of the Group's owned Rydges Hotels and this was particularly the case in Queenstown, Rotorua and Cairns. A strong first full year contribution from Rydges Geelong (acquired March 2017) also assisted the result with 33% of the overall growth in earnings from Rydges owned hotels coming from Geelong.

Occupancy in the Group's QT hotels increased by 4.4 percentage points over the prior comparable period to 80.7% and the average room rate increased by 5.7% to $235, resulting in an increase in revpar of 11.7%. QT Queenstown (opened December 2017) attained optimal occupancy levels soon after opening and the impact of QT Queenstown, together with the first full year of trading for QT Melbourne (opened September 2016), contributed 57% of the overall growth in earnings from owned QT hotels. QT Sydney continues to trade well albeit with a marginal impact from new supply in the Sydney market. Strong growth in Conference & Events business underpinned profit uplifts from Canberra and the Gold Coast and, in addition, the Gold Coast also benefitted from the activity associated with the staging of the Commonwealth Games in April 2018.

Occupancy in the Group's Atura hotels increased 2.1 percentage points over the prior comparable year to 72.3% and average room rate increased by 1.2% to $141, resulting in an increase in revpar of 4.3%.

Managed hotels across New Zealand and most Australian mainland capital cities produced good results. The Brisbane properties recorded solid growth despite recent increased supply within that market and regional centres, such as Bathurst and Kalgoorlie, also traded well.

The management services agreements for the Art Series Hotels ended in October 2017, whilst hotels located in Brisbane, Mackay, Newcastle, Melbourne and Tailem Bend in South Australia joined the managed portfolio in the second half of the year. In addition, Rydges Darwin Central joined the portfolio in July 2018, and a management development consulting agreement has been signed for The Hermitage Aoraki Mount Cook.

Thredbo Alpine Resort

The normalised profit before interest and income tax expense was $21,838,000, an increase of $3,651,000 or 20.1% above the prior comparable year.

The 2017 snow season was consistent with the 2016 season in July and August however September 2017 experienced good snowfall resulting in a 40% increase in skiers which largely contributed to an overall increase in visitation of 12% for the season. Total revenue for the year grew 10% to $72,971,000 with lift pass revenue for the 2017 snow season from 1 July 2017 increasing by 13%, and similar increases achieved in other ski-related ancillary revenue streams. Strong food and beverage revenues contributed to overall growth, with revenue improving by 15% over the prior year.

Summer revenues continue to grow, underpinned by growth in mountain biking visitation with total summer revenue increasing by 19% over the prior year.

PROPERTY AND OTHER INVESTMENTS

The normalised profit before interest and income tax expense was $16,528,000, an increase of $7,185,000 or 76.9% above the prior year. The improved result includes rental income from the two properties located at 458-472 George Street, Sydney, which were acquired in May 2017 and are currently leased to several retail and commercial tenants. The result was further assisted by a fair value increment of the investment properties of $5,750,000.

Updated independent valuations for the majority of the Group's properties have been obtained at 30 June 2018, and based on these valuations the fair value of the Group's property portfolio at 30 June 2018 is approximately $2.0 billion (including investment properties), whilst the book value of these interests is $1.2 billion. Further information regarding the fair value of the Group's property portfolio is disclosed in note 3.3 to the financial statements.

UNALLOCATED REVENUES AND EXPENSES

The unallocated revenues and expenses include the Group's corporate functions and various head office expenses. The decrease in the net expense reflects the new corporate structure, reduced incentive payments and general cost saving initiatives.

DIRECTORS' REPORT

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Group's strategic plan will depend on industry, economic and political conditions, the potential impact of global events, the future financial performance and available capital, the competitive environment, evolving customer needs and trends, and the availability of attractive opportunities. It is likely that the Group's strategies will continue to evolve and change in response to these and other factors, and there can be no absolute assurance that these current strategies, as detailed below, will be achieved.

PROPERTY

The Group has a property portfolio including land and buildings, integral plant and equipment and long term leasehold land and improvements with a fair value at 30 June 2018 of $1.96 billion (see note 3.3 to the financial statements). The Group will pursue the following strategies in relation to the property portfolio:

- optimising the potential future development of the properties located at 458-472 George Street, Sydney;
- identifying other potential future developments of the Group's freehold properties; and
- managing and maximising rental income associated with the Group's investment properties.

Industry developments and risk factors

The independently determined fair value of the Group's property portfolio may rise or fall according to a number of factors outside of the Group's control including changes in applicable property market conditions.

The Group's property portfolio includes property in zones of earthquake risk in New Zealand. A catastrophic incident affecting a Group property could have a material adverse impact on the Group's earnings as a result of catastrophic damage and loss of future profits.

ENTERTAINMENT

Whilst the Group has no control over the general audience appeal of available films, providing consumers with a demonstrably superior experience in the cinema to that which can be achieved in the home is a central strategic platform. To achieve this, the Group will pursue the following strategies:

- refurbishing key premium locations and reviewing and where appropriate closing underperforming locations;
- implementing new pricing strategies to drive improvements in the average admission price and / or admission numbers;
- developing new food and beverage concepts to drive improvements in spend per head;
- enhancing the Cinebuzz loyalty program to grow membership and customer engagement;
- growing alternative content to reduce reliance on Hollywood film titles;
- identifying other sources of entertainment income;
- sustaining audiences to grow advertising and sponsorship revenue; and
- leveraging technology to increase efficiency through automation.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry that have the capacity to impact the strategic plans and future direction of the cinema operations. The Group will continue to monitor developments in relation to the following issues:

- alternative film delivery methods and the rise in popularity of other forms of entertainment (including over-the-top ("OTT") internet content, subscription-based streaming services and video on demand ("VOD"));
- shortening of the release window of film to other formats such as OTT and VOD;
- increase in unauthorised recording (piracy) of visual recordings for commercial sale and distribution via the internet;
- increase in competition including in relation to pricing;
- international media industry consolidation which may reduce the number of distributors of Hollywood film titles;
- changes in operating expenses including employee expenses and energy costs; and
- impact of weather on cinema attendance.

HOTELS AND RESORTS

The Group will continue to provide hotel guests with accommodation that consistently delivers a product and service that meets or exceeds guest expectations. To provide this, the Group will continue to pursue the following strategies:

- upgrading key properties to deliver growth in earnings;
- adding new rooms to the Group's portfolio including through new hotel management or other agreements, redevelopment of existing properties and freehold acquisitions;
- enhancing the Priority Guest Rewards loyalty program to grow membership and customer engagement;
- growing conference and events revenue;
- improving and innovating food and beverage offerings in the Group's hotels to build incremental spend and enhance each hotel's reputation; and
- leveraging technology to increase efficiency through automation.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry that have the capacity to impact the strategic plans and future direction of the hotel operations. The Group will continue to monitor developments in relation to the following issues:

- new hotel supply in key markets increasing competition for the Group's hotels in those markets;
- competition for the distribution of rooms from online travel agents;
- changes in operating expenses including employee expenses and energy costs; and
- growth and market penetration of alternative accommodation providers.

THREDBO ALPINE RESORT

The key strategy for the Thredbo Alpine Resort is to maintain the facility as one of the premier Australian holiday destinations. This strategy includes:

- continuing to ensure the popularity, high quality and ambience of the winter-time resort facility;
- continuing to improve snowmaking capability to mitigate risk in poor snow seasons;
- increasing the number and quality of sporting and cultural events to increase visitation outside of the snow season;
- expanding the mountain bike trail network to appeal to a broader range of riders; and
- ensuring that the environmental integrity of the Resort is maintained and, where possible, improved.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry that have the capacity to impact the strategic plans and future direction of Thredbo's operations. The Group will continue to monitor developments in relation to the following issues:

- reliance on natural snowfall, which is partially mitigated by the Group's snow making capability;
- changes in operating expenses including employee expenses and energy costs; and
- short and long-term climate-related physical, regulatory and transition risks. Further information regarding the Group's response to climate change is available in section 5.8 of the 2018 Corporate Governance Statement.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous year were:

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit
Declared and paid during the year				
Final 2017 dividend	31	49,774	21 September 2017	30%
Interim 2018 dividend	21	33,790	15 March 2018	30%
		83,564		
Declared after the end of the year				
Final 2018 dividend	31	49,880	20 September 2018	30%

All the dividends paid or declared by the Company since the end of the previous year were 100% franked.

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' Report, is set out on pages 17 to 29 and has been audited as required by section 308(3C) of the Corporations Act 2001.

EVENTS SUBSEQUENT TO REPORTING DATE

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

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group are referred to in the Review of Operations by Division, set out within this report.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director of the Company in share capital of the Company, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares held directly	Ordinary shares held by companies in which a director has a beneficial interest [(a)]	Performance shares held directly	Performance rights held directly
AG Rydge	4,431,663	68,948,033	–	–
KG Chapman	3,000	54,000	–	–
PR Coates	–	46,960	–	–
VA Davies	–	14,000	–	–
DC Grant	7,000	–	–	–
JM Hastings	–	–	–	113,040
PM Mann	–	6,000	–	–
RG Newton	–	66,000	–	–

(a) Relevant interest under the Corporations Act 2001 differs from the disclosure required under Australian Accounting Standards as presented in the Remuneration Report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's constitution provides an indemnity to each person, including AG Rydge, KG Chapman, PR Coates, VA Davies, DC Grant, JM Hastings, PM Mann and RG Newton, who is or who has been a director or alternate director of the Company or of any related body corporate of the Company. The indemnity also extends to such other officers or former officers, including executive officers or former executive officers, of the Company and of any related body corporate of the Company as the directors of the Company determine.

In terms of the indemnity, the Company will indemnify the directors and other officers of the Company acting as such, to the full extent permitted by law, against any liability to another person (other than the Company or a related body corporate) incurred in acting as a director or officer of the Company, unless the liability arises out of conduct involving a lack of good faith. The indemnity includes any liability for costs and expenses incurred by such person in defending any proceedings, whether civil or criminal, in which judgement is given in that person's favour, or in which the person is acquitted and in making an application in relation to any proceedings in which the court grants relief to the person under the law.

The Company has provided directors' and officers' liability insurance policies that cover all the directors and officers of the Company and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, its nature and the premium paid.

OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDIT FIRM

Mrs PM Mann was previously a partner of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group.

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' Report for the year ended 30 June 2018.

NON-AUDIT SERVICES PROVIDED BY KPMG

During the year, KPMG, the Group's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

DIRECTORS' REPORT

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included in this Directors' Report.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 7.4 to the financial statements.

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 as issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

JM Hastings
Director

Dated at Sydney this 23rd day of August 2018.

DIRECTORS' REPORT

MESSAGE FROM THE CHAIRMAN REGARDING THE REMUNERATION REPORT

Dear Shareholder

On behalf of the Board, I am pleased to introduce the EVENT Hospitality & Entertainment Limited 2018 Remuneration Report.

Remuneration arrangements for the CEO
Jane Hastings commenced as the Group's new CEO with effect from 1 July 2017. Ms Hastings' remuneration arrangements were set by the Board following advice from remuneration consultants in the prior year and full details of Ms Hastings' remuneration for the year ended 30 June 2018 are disclosed in the remuneration table on page 23.

In accordance with the CEO's contract, a review of Ms Hastings' remuneration arrangements was conducted by the Board in the year ended 30 June 2018, including consideration of updated market benchmarking information. Market benchmarking for the CEO role considers the market capitalisation of the Group and the size, diversity and complexity of the Group's operations, noting that by market capitalisation the Group is within the top 150 companies in the All Ordinaries index. Following this review, reasonable adjustments were made to the CEO's fixed annual remuneration and maximum short term incentive opportunity with effect from 1 July 2018. Details of these new arrangements are set out on page 21.

Review of long term incentive arrangements
As foreshadowed in the 2017 Annual Report, the Board conducted a review of the Group's long term incentive arrangements during the year ended 30 June 2018, with assistance from remuneration consultants as disclosed on page 22. The review found that the existing structure of the Executive Performance Rights Plan remained appropriate, and that the hurdles continued to provide appropriately challenging targets for plan participants and an alignment with shareholder interests. The Board continues to consider opportunities to further align the Group's incentive arrangements with the Group's long-term strategic objectives.

Changes in key management personnel
As CEO, Ms Hastings has reviewed and amended the internal organisational structure and this has resulted in some changes in the determination of which other executives meet the definition of "key management personnel" requiring disclosure in the remuneration report. Details of the key management personnel for the year ended 30 June 2018 are set out on page 22.

The Remuneration Report provides further details regarding the above matters as well as important material on remuneration strategy, structure and outcomes. The Board commends the Remuneration Report to you.

AG Rydge
Chairman

REMUNERATION REPORT – AUDITED

This report outlines the remuneration arrangements in place for the Group's key management personnel ("KMP") as defined in AASB 124 *Related Party Disclosures* including non-executive directors, the CEO (who is also the Managing Director), and other senior executives who have authority for planning, directing and controlling the activities of the Group. The KMP for the financial year are set out on page 22.

Remuneration philosophy

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and packages applicable to the Board members and senior executives. The objective of the remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, motivating and retaining people of the appropriate quality.

Remuneration levels are competitively set to attract appropriately qualified and experienced directors and executives. The Nomination and Remuneration Committee obtains independent advice on the level of remuneration packages. The remuneration packages of the CEO and senior executives include an at-risk component that is linked to the overall financial and operational performance of the Group and based on the achievement of specific goals of the Group. Executives participate in the Group's Executive Performance Rights Plan. The long term benefits of the Executive Performance Rights Plan are conditional upon the Group achieving certain performance criteria, details of which are outlined below.

Further details in relation to the Group's share plans are provided in Note 6.1 to the financial statements.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director remuneration is separate and distinct from senior executive remuneration.

Non-executive director remuneration

Objective

The Group's remuneration policy for non-executive directors aims to ensure that the Group can attract, retain and appropriately remunerate suitably skilled, experienced and committed individuals to serve on the Board and its committees.

Structure

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 22 October 2010 when shareholders approved a maximum aggregate remuneration of $1,500,000 per year. Non-executive directors do not receive any performance related remuneration nor are they issued shares or performance rights.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among directors are reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. A committee fee is also paid for being a member of the Audit and Risk Committee and the Nomination and Remuneration Committee. The payment of the committee fee recognises the additional time commitment required by directors who serve on those committees. Other Board committees may be appointed from time to time to deal with issues associated with the conduct of the Group's various activities, and directors serving on such committees may receive an additional fee in recognition of this additional commitment.

The Board has approved non-executive director fees for the year ending 30 June 2019 as follows:

	2019 $	**2018** $
Chairman (including committee fees)	328,000	321,000
Other non-executive directors		
Base fee	134,000	131,000
Committee fee	21,000	21,000
Additional fee for the Chairman of the Board committees	18,000	18,000

Structure (continued)

The remuneration of non-executive directors for the year ended 30 June 2018 is detailed on page 23.

Directors' fees cover all main Board activities. Non-executive directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.

CEO and other executive remuneration

Objective

The Group's remuneration policy aims to reward the CEO and other executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, and to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators ("KPIs");
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and composition of executive remuneration, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages for senior executives, based on remuneration trends in the market, from which recommendations are made to the Board.

It is the Group's policy that employment contracts are entered into with the CEO and other senior executives. Details of these employment contracts are provided on page 21.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component includes a short term incentive ("STI") plan and a long term incentive ("LTI") plan. The proportion of fixed and variable remuneration (potential STI and LTI) is set and approved for each senior executive by the Nomination and Remuneration Committee.

Fixed annual remuneration

Objective

Remuneration levels for executives are reviewed annually to ensure that they are appropriate for the responsibilities, qualifications and experience of each executive and are competitive with the market.

The Nomination and Remuneration Committee establishes and issues an appropriate guideline for the purpose of the annual review of fixed annual remuneration levels. The guideline is based on both current and forecast Consumer Price Index and market conditions. There are no guaranteed fixed remuneration increases in any executives' contracts.

Structure

Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as motor vehicles and car parking. Fixed annual remuneration includes superannuation and all prescribed fringe benefits, including fringe benefits tax.

Variable remuneration – STI

Objective

The objective of the STI program is to link the achievement of the operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments to each executive are determined based on the extent to which specific operating targets, set at the beginning of the year, are met. The operational targets consist of a number of KPIs covering both financial and non-financial measures of performance. Typically, KPIs and assessment criteria include:

- meeting of pre-determined growth in Group earnings over the prior year;
- meeting of strategic and operational objectives; and
- assessed personal effort and contribution.

The Group has pre-determined benchmarks which must be met in order to trigger payments under the STI. The measures were chosen to directly align the individual's STI to the KPIs of the Group and to its strategies and performance.

Structure (continued)
On an annual basis, an earnings performance rating for the Group and each division is assessed and approved by the Nomination and Remuneration Committee. The individual performance of each executive is also assessed and rated and the ratings are taken into account when determining the amount, if any, of the STI to be allocated to each executive.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Nomination and Remuneration Committee. STI payments are delivered as a cash bonus.

For the CEO and other executive KMP, the general target bonus opportunity range is from 50% to 80% of fixed annual remuneration. The target bonus range for the CEO and other executive KMP is detailed below:

	Maximum STI calculated on fixed annual remuneration[(a)]	Allocated between: Group earnings	Divisional earnings	Special projects	Other KPIs
Managing Director and CEO					
JM Hastings [(b)]	80%	40%	–	20%	20%
Other executive KMP					
NC Arundel	50%	15%	20%	–	15%
GC Dean	50%	25%	–	–	25%
MR Duff	50%	25%	–	11%	14%
HR Eberstaller	50%	16.7%	16.7%	4%	12.6%
JM Rodgers	50%	15%	20%	–	15%

(a) Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.
(b) The targets set for the CEO's STI relate to the Group's performance, the management of current property developments and other business growth targets. These targets may include, for example, the identification of new hotel developments that will provide an acceptable return and fit within the Group's overall strategic objectives, the delivery of property development projects having regard to timing and budget, and the identification, negotiation and delivery of new cinema sites. The Board considers the specific targets to be commercially sensitive and accordingly further details of these targets have not been disclosed.

Bonuses may be paid above these levels at the discretion of the Nomination and Remuneration Committee and the Board, if it is assessed that an exceptional contribution has been made by an executive. There is no separate profit-share plan.

Variable remuneration – LTI
Objective
The objectives of the LTI plan are to:
- align executive incentives with shareholder interests;
- balance the short term with the long term Group focus; and
- retain high calibre executives by providing an attractive equity-based incentive that builds an ownership of the Group mindset.

Structure
Executives are awarded performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer is made under the Executive Performance Rights Plan to executives each financial year and is based on individual performance as assessed by the annual appraisal process. If an executive does not sustain a consistent level of high performance, they will not be nominated for Executive Performance Rights Plan participation. The Nomination and Remuneration Committee reviews details of executives nominated for participation subject to final Board approval. In accordance with the ASX Listing Rules, approval from shareholders is obtained before participation in the Executive Performance Rights Plan commences for the CEO.

Only executives who are able to directly influence the long term success of the Group participate in the Executive Performance Rights Plan.

Structure (continued)

Each award of performance rights is divided into equal portions, with each portion being subject to a different performance hurdle. The performance hurdles are based on earnings per share ("EPS") growth and relative total shareholder return ("TSR") of EVENT Hospitality & Entertainment Limited as determined by the Board over a three year period ("Performance Period"). The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of the Performance Period.

Performance rights do not carry the right to vote or to receive dividends during the Performance Period.

The performance hurdles for the awards of performance rights to executives in the financial year ended 30 June 2018 are based on EVENT Hospitality & Entertainment Limited's EPS growth and relative TSR performance over the Performance Period of the three years to 30 June 2020, with EPS performance measured against the year ended 30 June 2017 (being the base year).

The performance hurdles for the awards of performance rights to executives in the financial year ended 30 June 2018 are as follows:

EPS hurdle

The EPS hurdle requires that the Group's EPS growth for the Performance Period must be greater than the target set by the Board. The EPS hurdle was chosen as it provides evidence of the Group's growth in earnings. The hurdle is as follows:

- if annual compound EPS growth over the Performance Period is less than 4%, no performance rights will vest with the executive;
- if annual compound EPS growth over the Performance Period is equal to or greater than 4% but less than 6%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if annual compound EPS growth over the Performance Period is equal to or greater than 6%, all of the performance rights awarded (and attaching to this hurdle) will vest with the executive.

TSR hurdle

The TSR hurdle requires that the Group's relative TSR performance must be above the median of the Company's comparator group ("comparator group"). The comparator group is the S&P/ASX 200 (excluding trusts, infrastructure groups and mining companies). TSR is defined as share price growth and dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the beginning to the end of the Performance Period.

The TSR performance hurdle was chosen as it is widely recognised as one of the best indicators of shareholder value creation. The comparator group for TSR purposes has been chosen as it represents the group with which the Group competes for shareholders' capital. The hurdle is as follows:

- if the Company's TSR ranking relative to the comparator group over the Performance Period is less than the 51st percentile, no performance rights will vest;
- if the Company's TSR ranking relative to the comparator group over the Performance Period is equal to or exceeds the 51st percentile but is less than the 75th percentile, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's TSR ranking relative to the comparator group over the Performance Period is equal to or greater than the 75th percentile, all of the performance rights awarded will vest.

After the Board has assessed the extent to which the above performance hurdles and criteria have been achieved, executives will be allocated ordinary shares equal to the number of vested performance rights held.

The Board has retained the discretion to vary the performance hurdles and criteria.

Group performance

To provide further context on the Group's performance and returns for shareholders, the following table outlines a 5 year history of key financial metrics:

	2018	2017	2016	2015	2014
Net profit before individually significant items and income tax ($)[(a)]	183,214,000	160,937,000	177,914,000	152,367,000	108,304,000
Dividends per share (cents)	52	51	51	45	42
Special dividend per share (cents)	–	–	–	8	–
Share price at year end ($)	13.39	13.37	14.53	12.54	9.33

(a) Refer to page 6 in the Directors' Report for a reconciliation to reported net profit for the year.

Employment contract for the CEO and other executive KMP

A summary of the key terms of Ms Hastings' employment agreement is set out in the table below:

Contract term	Ms Hastings' appointment is ongoing, and there is no fixed term.
Fixed annual remuneration	Effective from 1 July 2018, a remuneration package to the value of $1,450,000 per annum gross, comprising base salary, superannuation and, if applicable, any fringe benefits or additional superannuation contributions.
Incentives	Ms Hastings is eligible to participate in the Group's incentive arrangements (including STI and LTI). Ms Hastings is eligible to receive an annual STI bonus payment with a target award of up to 80% of her fixed annual remuneration, subject to the achievement of performance criteria determined by the Board. The maximum award to Ms Hastings under the STI plan is 90% of fixed annual remuneration. Ms Hastings is also eligible to participate in the Group's Long Term Incentive Plan ("LTIP"). The current LTIP is the Performance Rights Plan approved by shareholders at the 2013 Annual General Meeting. Subject to any required or appropriate shareholder approval, Ms Hastings' allocation of performance rights under the LTIP will be determined based on a face value of 90% of the fixed annual remuneration.
Termination	Either party may terminate the agreement at any time by giving six months' notice. On termination, the Group may at its discretion make a payment in lieu of all or part of the notice period based on Ms Hastings' fixed annual remuneration at the time of the notice of termination. Ms Hastings may terminate immediately if there is a fundamental change in her responsibilities or authority without her consent. In that case, Ms Hastings is entitled to a payment equivalent to six months' fixed annual remuneration. The Group may terminate the agreement immediately in circumstances of misconduct, or if Ms Hastings breaches any material term of the agreement, in which case there is no payment in lieu of notice.
Restraint	The agreement contains non-solicitation and other restraints that apply for a restriction period of up to 12 months. Ms Hastings may receive a restraint payment for some or all of the restriction period, calculated based on her fixed annual remuneration at the termination date.

The CEO's contract provides for an annual review of the CEO's fixed annual remuneration and maximum incentive opportunities. Employment contracts typically outline the components of remuneration paid to the CEO and other senior executives but do not prescribe how remuneration levels are to be modified from year to year. Generally, remuneration levels are reviewed each year to take into account Consumer Price Index changes, remuneration trends in the market, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

Termination provisions in the employment contracts with other executive KMP are summarised in the table below:

Executive	Termination by the executive	Termination by the Group	Expiry date of contract
NC Arundel GC Dean MR Duff HR Eberstaller JM Rodgers	The notice period is one month.	The notice period is one month. On termination, the Group may make a payment in lieu of notice, equal to the notice period. The Group retains the right to terminate the contract immediately under certain conditions. On termination, the executive is entitled to accrued annual and long service benefits. There are no other termination payments. Payment of any LTI (or pro-rata thereof) is subject to the rules in operation at the termination date and at the discretion of the Board.	Not applicable, rolling contracts.

Use of remuneration consultants
During the year, the Nomination and Remuneration Committee employed the services of Godfrey Remuneration Group Pty Limited ("GRG") to provide a minor update to previous advice relating to the Group's LTI arrangements. Under the terms of the engagement, GRG provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $5,000 for these services. No other services or advice were provided by GRG during the year.

GRG has confirmed all recommendations have been made free from undue influence by members of the Group's KMP. The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- GRG was engaged by, and reported directly to, the Chairman of the Board. The agreement for the provision of remuneration consulting services was executed by the Chairman on behalf of the Board;
- the report containing the remuneration recommendations was provided by GRG directly to the Chairman; and
- GRG was not required to speak to management in relation to the engagement and did not provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

Key management personnel
The KMP for the financial year are set out in the table below:

Name	Position	Period of responsibility	Employing company
Non-executive directors			
Alan Rydge	Chairman and non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Kenneth Chapman	Independent non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Peter Coates	Independent non-executive director and lead independent director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Valerie Davies	Independent non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
David Grant	Independent non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Patria Mann	Independent non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Richard Newton	Independent non-executive director	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Executive director			
Jane Hastings	Managing Director and CEO	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Other executive KMP			
Norman Arundel	Director of Hotels and Resorts Operations	1 July 2017 to 30 June 2018	Rydges Hotels Limited
Gregory Dean	Director Finance & Accounting, Company Secretary	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Mathew Duff	Director Commercial	1 July 2017 to 30 June 2018	EVENT Hospitality & Entertainment Limited
Hans Eberstaller	Managing Director of Commercial, UK and Europe	1 July 2017 to 30 June 2018	The Greater Union Organisation Pty Limited
Jordan Rodgers	Director of Thredbo Operations	1 July 2017 to 30 June 2018	Kosciuszko Thredbo Pty Limited

Directors' and executives' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and other KMP of the Group are set out below:

		Short term				Post-employment	Share-based	Other long term		Other	Total	
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Insurance premiums[a] $	Superannuation contributions $	Performance rights[b] $	Accrued annual leave $	Accrued long service leave $	Termination payments $	$	Proportion of remuneration performance related
DIRECTORS												
Non-executive												
AG Rydge	2018	300,951	–	–	–	20,049	–	–	–	–	321,000	–
	2017	293,384	–	–	–	19,616	–	–	–	–	313,000	–
KG Chapman	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
	2017	116,895	–	–	–	11,105	–	–	–	–	128,000	–
PR Coates	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
	2017	116,895	–	–	–	11,105	–	–	–	–	128,000	–
VA Davies	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
	2017	116,895	–	–	–	11,105	–	–	–	–	128,000	–
DC Grant	2018	155,251	–	–	–	14,749	–	–	–	–	170,000	–
	2017	151,598	–	–	–	14,402	–	–	–	–	166,000	–
PM Mann	2018	138,813	–	–	–	13,187	–	–	–	–	152,000	–
	2017	135,160	–	–	–	12,840	–	–	–	–	148,000	–
RG Newton	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
	2017	116,895	–	–	–	11,105	–	–	–	–	128,000	–
Executive												
JM Hastings[c]	2018	1,279,951	143,051	–	2,885	20,049	195,376	41,647	–	–	1,682,959	20.1%
	2017	735,588	–	–	1,650	17,311	31,877	21,634	–	–	808,060	3.9%

Directors' and executives' remuneration (continued)

		Short term				Post-employment	Share-based	Other long term		Other	Total	
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Insurance premiums[a] $	Superannuation contributions $	Performance rights[b] $	Accrued annual leave $	Accrued long service leave $	Termination payments $	$	Proportion of remuneration performance related
OTHER EXECUTIVE KMP												
NC Arundel [d]	2018	479,415	65,050	–	8,287	20,049	148,078	13,951	(5,341)	–	729,489	29.2%
	2017	72,660	105,750	–	1,046	3,043	30,370	5,087	1,527	–	219,483	62.0%
GC Dean	2018	629,951	76,250	–	6,886	20,049	210,726	(30,992)	17,326	–	930,196	30.9%
	2017	590,384	282,500	–	5,241	19,616	215,961	(13,419)	24,518	–	1,124,801	44.3%
MR Duff	2018	629,951	116,952	–	5,163	20,049	212,384	90,526	17,537	–	1,092,562	30.1%
	2017	590,384	263,686	–	3,848	19,616	223,380	8,563	25,099	–	1,134,576	42.9%
HR Eberstaller	2018	367,541	63,308	–	2,762	20,049	109,440	(6,362)	11,704	–	568,442	30.4%
	2017	360,384	185,000	–	2,183	19,616	124,240	(41,036)	(35,599)	–	614,788	50.3%
JM Rodgers[e]	2018	429,951	119,531	–	2,762	20,049	109,949	1,065	9,494	–	692,801	33.1%
	2017	–	–	–	–	–	–	–	–	–	–	–

Directors' and executives' remuneration (continued)

(a) Amounts disclosed above for remuneration of directors and other executive KMP exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out within the Remuneration Report. The amounts disclosed in the table above relate to premiums paid by the Group for group salary continuance insurance.

(b) Amounts disclosed above for remuneration relating to performance shares and performance rights have been determined in accordance with the requirements of AASB 2 *Share-based Payment*. AASB 2 requires the measurement of the fair value of performance shares and performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. Details of performance shares and performance rights on issue are set out within the Remuneration Report and further details on the terms and conditions of these performance shares and performance rights are set out in Note 6.1 to the financial statements.

(c) JM Hastings commenced employment with the Group on 29 August 2016.

(d) NC Arundel ceased to be a key management person of the Group effective 29 August 2016 and became a key management person of the Group effective 1 July 2017. Comparative amounts disclosed in the table above are in respect of the period for which NC Arundel was a key management person in the prior year.

(e) JM Rodgers became a key management person of the Group effective 1 July 2017. Consequently, no comparative information has been presented for Mr Rodgers in the table above.

Analysis of STI bonuses included in remuneration

The bonus table below is calculated on the basis of including bonuses awarded during the year ended 30 June 2018. It only includes remuneration relating to the portion of the relevant periods that each individual was a KMP. Details of the vesting profile of the STI bonuses awarded as remuneration to the CEO and other executive KMP of the Group are shown below:

	Included in remuneration[(a)] $	Awarded in year	Not awarded in year[(b)]
Managing Director and CEO			
JM Hastings[(c)]	143,051	31.7%	68.3%
Other executive KMP			
NC Arundel	65,050	26.7%	73.3%
GC Dean	76,250	25.0%	75.0%
MR Duff	116,952	38.3%	61.7%
HR Eberstaller	63,308	33.3%	66.7%
JM Rodgers	119,531	53.1%	46.9%

(a) Amounts included in remuneration for the year represent the amounts that were awarded in the year based on achievement of personal goals and satisfaction of specified performance criteria for the 30 June 2017 year. No amounts vest in future years in respect of the STI bonus schemes for the 2017 year.

(b) The amounts not awarded are due to the performance criteria not being met in relation to the assessment period.

(c) The amount for Ms Hastings is in respect of the 30 June 2017 year when Ms Hastings was Chief Operating Officer.

Other transactions with key management personnel and their related parties

AG Rydge is a director of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent and office service charges received during the year were $21,368 (2017: $20,240). The Company holds shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $755,213 (2017: $780,420).

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $101,539 (2017: $98,527). Rent is charged to AG Rydge at market rates.

A controlled entity has entered into a lease agreement for a cinema complex in Townsville with an entity related to KG Chapman. Rent paid under the lease is at market rates.

Other transactions with key management personnel and their related parties (continued)
Apart from the details disclosed in the Remuneration Report, no KMP has entered into a material contract with the Group since the end of the previous year and there were no material contracts involving directors' interests existing at reporting date.

From time to time, KMP of the Group, or their related parties, may purchase goods or services from the Group. These purchases are usually on the same terms and conditions as those granted to other Group employees. Where the purchases are on terms and conditions more favourable than those granted to other Group employees, the resulting benefits form part of the total remuneration outlined within the Remuneration Report.

Executive Performance Rights Plan – current LTI plan
Analysis of LTI performance rights granted as remuneration
Details of the vesting profile of performance rights granted as remuneration to the CEO and other executive KMP are shown below:

						Fair value	
	Number	Grant date	Vested during the year	Forfeited during the year	Year in which the grant vests	Performance right – EPS $	Performance right – TSR $
Managing Director and CEO							
JM Hastings	82,737	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	30,303	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
Other executive KMP							
NC Arundel	19,888	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	13,144	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	13,650	18 Feb 2016	–	–	30 Jun 2019	14.01	11.40
	19,548	19 Feb 2015	18,845	703	30 Jun 2018	10.74	8.40
GC Dean	25,855	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	20,538	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	19,755	18 Feb 2016	–	–	30 Jun 2019	14.01	11.40
	23,870	19 Feb 2015	23,011	859	30 Jun 2018	10.74	8.40
MR Duff	25,855	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	20,538	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	19,755	18 Feb 2016	–	–	30 Jun 2019	14.01	11.40
	25,667	19 Feb 2015	24,744	923	30 Jun 2018	10.74	8.40
HR Eberstaller	12,333	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	10,235	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	10,349	18 Feb 2016	–	–	30 Jun 2019	14.01	11.40
	14,825	19 Feb 2015	14,292	533	30 Jun 2018	10.74	8.40
JM Rodgers	14,319	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	12,121	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	12,587	18 Feb 2016	–	–	30 Jun 2019	14.01	11.40
	15,277	19 Feb 2015	14,728	549	30 Jun 2018	10.74	8.40

Executive Performance Rights Plan – current LTI plan (continued)

Analysis of movements in performance rights

The movement during the year, by value, of performance rights in the Company held by the CEO and other executive KMP is detailed below:

	Granted during the year [(a)] $	Exercised during the year $	Performance rights exercised Number	Amount paid per right exercised $
Managing Director and CEO				
JM Hastings	770,279	–	–	–
Other executive KMP				
NC Arundel	185,157	243,654	18,845	–
GC Dean	240,708	297,518	23,011	–
MR Duff	240,708	319,924	24,744	–
HR Eberstaller	114,818	184,786	14,292	–
JM Rodgers	133,307	190,424	14,728	–

(a) The value of performance rights granted in the year is the fair value of the performance rights calculated at grant date, estimated using a Binomial tree model for those rights that have EPS hurdles and a Monte Carlo model for those rights that have TSR hurdles. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

No performance rights have been granted since the end of the year.

Performance rights holdings and transactions

The movement during the year in the number of performance rights in EVENT Hospitality & Entertainment Limited held by the CEO and other executive KMP is detailed below:

		Held at the beginning of the year	Granted	Exercised	Forfeited	Other	Held at the end of the year
Managing Director and CEO							
JM Hastings	2018	30,303	82,737	–	–	–	113,040
	2017	–	30,303	–	–	–	30,303
Other executive KMP							
NC Arundel	2018	46,342	19,888	(18,845)	(703)	–	46,682
	2017	56,083	13,144	(22,885)	–	–	46,342
GC Dean	2018	64,163	25,855	(23,011)	(859)	–	66,148
	2017	64,981	20,538	(21,356)	–	–	64,163
MR Duff	2018	65,960	25,855	(24,744)	(923)	–	66,148
	2017	68,405	20,538	(22,983)	–	–	65,960
HR Eberstaller	2018	35,409	12,333	(14,292)	(533)	–	32,917
	2017	42,485	10,235	(17,311)	–	–	35,409
JM Rodgers	2018	39,985	14,319	(14,728)	(549)	–	39,027
	2017	45,718	12,121	(17,854)	–	–	39,985

No performance rights have been granted since the end of the year. No performance rights are held by any related parties of KMP.

Executive Performance Share Plan – previous LTI plan

Performance shares exercised during the year

Details of performance shares in the Company exercised during the year by the CEO and other executive KMP are shown below:

	Exercised during the year[(a)] $	Performance shares exercised Number	Amount paid per performance share $
Managing Director and CEO			
JM Hastings	–	–	–
Other executive KMP			
NC Arundel	–	–	–
GC Dean	–	–	–
MR Duff	149,251	11,105	Nil
HR Eberstaller	145,716	10,842	Nil
JM Rodgers	–	–	–

(a) The value of performance shares exercised during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date that the performance shares were exercised.

Performance share holdings and transactions

The movement during the year in the number of performance shares in EVENT Hospitality & Entertainment Limited held by the CEO and other executive KMP is detailed below:

		Held at the beginning of the year	Granted	Exercised	Forfeited	Other	Held at the end of the year
Managing Director and CEO							
JM Hastings	2018	–	–	–	–	–	–
	2017	–	–	–	–	–	–
Other executive KMP							
NC Arundel	2018	23,502	–	–	–	–	23,502
	2017	23,502	–	–	–	–	23,502
GC Dean	2018	–	–	–	–	–	–
	2017	–	–	–	–	–	–
MR Duff	2018	47,048	–	(11,105)	–	–	35,943
	2017	85,665	–	(38,617)	–	–	47,048
HR Eberstaller	2018	26,614	–	(10,842)	–	–	15,772
	2017	35,529	–	(8,915)	–	–	26,614
JM Rodgers	2018	–	–	–	–	–	–
	2017	–	–	–	–	–	–

No performance shares have been granted since the end of the year. There were no performance shares held by the related parties of KMP.

Equity holdings and transactions

The movement during the year in the number of ordinary shares of EVENT Hospitality & Entertainment Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

		Held at the beginning of the year	Purchases	Received on release of performance shares or rights	Sales	Other	Held at the end of the year
Directors							
AG Rydge (Chairman)	2018	72,788,603	607,500	–	–	–	73,396,103
	2017	72,788,603	–	–	–	–	72,788,603
KG Chapman	2018	57,500	–	–	–	–	57,500
	2017	57,500	–	–	–	–	57,500
PR Coates	2018	46,960	–	–	–	–	46,960
	2017	46,960	–	–	–	–	46,960
VA Davies	2018	14,000	–	–	–	–	14,000
	2017	10,000	4,000	–	–	–	14,000
DC Grant	2018	5,000	2,000	–	–	–	7,000
	2017	3,000	2,000	–	–	–	5,000
PM Mann	2018	6,142	–	–	–	–	6,142
	2017	6,000	142	–	–	–	6,142
RG Newton	2018	66,840	–	–	–	–	66,840
	2017	66,840	–	–	–	–	66,840
JM Hastings	2018	–	–	–	–	–	–
(CEO)	2017	–	–	–	–	–	–
Other KMP							
NC Arundel	2018	32,666	–	18,845	(11,500)	–	40,011
	2017	59,781	–	22,885	(50,000)	–	32,666
GC Dean	2018	122,864	–	23,011	–	–	145,875
	2017	101,508	–	21,356	–	–	122,864
MR Duff	2018	23,199	–	35,849	(22,439)	–	36,609
	2017	–	–	61,600	(38,401)	–	23,199
HR Eberstaller	2018	11,100	–	25,134	(24,434)	–	11,800
	2017	–	–	26,226	(15,126)	–	11,100
JM Rodgers	2018	17,854	–	14,728	(20,000)	–	12,582
	2017	–	–	17,854	–	–	17,854

No shares were granted to KMP as compensation in the year ended 30 June 2018. Performance rights were granted to certain KMP as disclosed on page 26.

End of Directors' Report: Remuneration Report – Audited

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

To the Directors of Event Hospitality & Entertainment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Event Hospitality & Entertainment Limited for the financial year ended 30 June 2018 there have been:

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

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

KPMG

KPMG

Anthony Travers
Partner

Sydney
23 August 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4.4	95,564	92,318
Trade and other receivables	3.1	55,293	55,051
Inventories	3.2	21,552	20,409
Prepayments and other current assets		16,482	10,458
Total current assets		188,891	178,236
Non-current assets			
Trade and other receivables	3.1	1,042	1,519
Other financial assets		1,396	1,396
Available-for-sale financial assets	4.5	20,924	19,928
Investments accounted for using the equity method	5.3	14,368	10,942
Property, plant and equipment	3.3	1,321,917	1,237,708
Investment properties	3.4	74,000	68,250
Goodwill and other intangible assets	3.5	101,323	108,899
Deferred tax assets	2.4	4,771	6,333
Other non-current assets		1,947	3,115
Total non-current assets		1,541,688	1,458,090
Total assets		1,730,579	1,636,326
LIABILITIES			
Current liabilities			
Trade and other payables	3.6	106,947	106,895
Loans and borrowings	4.4	1,127	325,441
Current tax liabilities	2.4	1,298	790
Provisions	3.7	20,665	20,613
Deferred revenue	2.1	90,170	88,235
Other current liabilities	3.8	5,852	3,841
Total current liabilities		226,059	545,815
Non-current liabilities			
Loans and borrowings	4.4	376,355	2,360
Deferred tax liabilities	2.4	11,731	12,192
Provisions	3.7	16,443	14,340
Deferred revenue	2.1	9,202	8,720
Other non-current liabilities	3.8	2,191	2,610
Total non-current liabilities		415,922	40,222
Total liabilities		641,981	586,037
Net assets		1,088,598	1,050,289
EQUITY			
Share capital	4.1	219,126	219,126
Reserves	4.3	64,896	54,933
Retained earnings		804,576	776,230
Total equity		1,088,598	1,050,289

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 36 to 86.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Revenue and other income			
Revenue from sale of goods and rendering of services	2.1	1,223,216	1,217,058
Other revenue and income	2.1	66,522	77,211
		1,289,738	1,294,269
Expenses			
Employee expenses		(307,856)	(308,536)
Occupancy expenses		(261,394)	(256,145)
Film hire and other film expenses		(228,430)	(244,231)
Purchases and other direct expenses		(110,613)	(118,698)
Depreciation, amortisation and impairments		(96,387)	(84,591)
Other operating expenses		(77,158)	(80,291)
Advertising, commissions and marketing expenses		(36,972)	(37,338)
Finance costs		(7,655)	(9,802)
		(1,126,465)	(1,139,632)
Equity accounted profit			
Share of net profit of equity accounted associates and joint ventures	5.3	2,268	2,684
Profit before tax		165,541	157,321
Income tax expense	2.4	(53,631)	(46,502)
Profit for the year		111,910	110,819

		2018 Cents	2017 Cents
Earnings per share			
Basic earnings per share	2.5	69.9	69.6
Diluted earnings per share	2.5	69.3	68.7

The Income Statement is to be read in conjunction with the notes to the financial statements on pages 36 to 86.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018 $'000	2017 $'000
Profit for the year	111,910	110,819
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations – net of tax	5,192	381
Transfer from foreign currency translation reserve to the Income Statement on sale of interest in Fiji Cinema Joint Venture	–	306
Net change in fair value of available-for-sale financial assets – net of tax	697	(97)
Net change in fair value of cash flow hedges – net of tax	18	(20)
Other comprehensive income for the year – net of tax	5,907	570
Total comprehensive income for the year	117,817	111,389

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 36 to 86.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital $’000	Reserves $’000	Retained earnings $’000	Total equity $’000
Balance at 1 July 2017	219,126	54,933	776,230	1,050,289
Profit for the year	–	–	111,910	111,910
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	5,192	–	5,192
Net change in fair value of available-for-sale financial assets – net of tax	–	697	–	697
Net change in fair value of cash flow hedging instruments – net of tax	–	18	–	18
Total other comprehensive income recognised directly in equity	–	5,907	–	5,907
Total comprehensive income for the year	–	5,907	111,910	117,817
Employee share-based payments expense – net of tax	–	4,056	–	4,056
Dividends paid	–	–	(83,564)	(83,564)
Total transactions with owners	–	4,056	(83,564)	(79,508)
Balance at 30 June 2018	219,126	64,896	804,576	1,088,598
Balance at 1 July 2016	219,126	46,321	747,297	1,012,744
Profit for the year	–	–	110,819	110,819
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	381	–	381
Transfer from foreign currency translation reserve to the Income Statement on sale of interest in Fiji Cinemas Joint Venture	–	306	–	306
Net change in fair value of available-for-sale financial assets – net of tax	–	(97)	–	(97)
Net change in fair value of cash flow hedging instruments – net of tax	–	(20)	–	(20)
Total other comprehensive income recognised directly in equity	–	570	–	570
Total comprehensive income for the year	–	570	110,819	111,389
Employee share-based payments expense – net of tax	–	8,042	–	8,042
Dividends paid	–	–	(81,886)	(81,886)
Total transactions with owners	–	8,042	(81,886)	(73,844)
Balance at 30 June 2017	219,126	54,933	776,230	1,050,289

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 36 to 86.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		1,333,797	1,366,585
Cash payments in the course of operations		(1,131,180)	(1,162,968)
Cash provided by operations		202,617	203,617
Dividends from associates and joint ventures		2,252	3,692
Other revenue		59,024	56,745
Dividends received		771	795
Interest received		599	807
Finance costs paid		(7,736)	(9,793)
Income tax paid		(49,778)	(67,182)
Net cash provided by operating activities	7.3	207,749	188,681
Cash flows from investing activities			
Payments for property, plant and equipment and redevelopment of properties		(169,388)	(258,956)
Purchase of management and leasehold rights, software and other intangible assets		(3,352)	(1,405)
Payments for interest in joint venture		(3,266)	–
Decrease in loans from other entities		(1,609)	(472)
Payments for businesses acquired, including intangible assets		(1,141)	(31,249)
Proceeds from disposal of other non-current assets		91	5
Proceeds from disposal of interest in joint operation		–	9,088
Net cash used by investing activities		(178,665)	(282,989)
Cash flows from financing activities			
Proceeds from borrowings		169,665	275,765
Repayments of borrowings		(115,191)	(150,127)
Dividends paid	4.2	(83,564)	(81,886)
Net cash (used)/provided by financing activities		(29,090)	43,752
Net decrease in cash and cash equivalents		(6)	(50,556)
Cash and cash equivalents at the beginning of the year		92,318	145,040
Effect of exchange rate fluctuations on cash held		3,252	(2,166)
Cash and cash equivalents at the end of the year		95,564	92,318

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 36 to 86.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

SECTION 1 – BASIS OF PREPARATION

This section explains the basis of preparation for the Group's financial statements, including information regarding the impact of the adoption of new accounting standards.

1.1 – REPORTING ENTITY

EVENT Hospitality & Entertainment Limited ("Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2018 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates, joint ventures and joint operations.

EVENT Hospitality & Entertainment Limited is a for-profit company incorporated in Australia and limited by shares. The shares are publicly traded on the ASX. The nature of the operations and principal activities of the Group are described in Note 2.2.

The financial report was authorised for issue by the Board of Directors of EVENT Hospitality & Entertainment Limited on 23 August 2018.

1.2 – BASIS OF PREPARATION

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Basis of measurement
The financial report is prepared on the historical cost basis except for the following material items in the Statement of Financial Position which are measured at fair value: derivative financial instruments, financial assets classified as available-for-sale, liabilities for cash-settled share-based payments and investment properties. Assets held for sale are stated at the lower of carrying amount, and fair value less costs to sell.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements
The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected. Judgements made by management in the application of AASBs that have a significant effect on the financial report are discussed in note 3.3 (Property, plant and equipment) and 3.5 (Goodwill and other intangible assets).

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

SECTION 1 – BASIS OF PREPARATION

1.2 – BASIS OF PREPARATION (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Notes 3.3 (Property, plant and equipment), 3.4 (Investment properties) and 4.5 (Financial risk management).

1.3 – FOREIGN CURRENCY

Functional and presentation currency
All amounts are expressed in Australian dollars, which is the Group's presentation currency. 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 functional currency of the Company is Australian dollars.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except for differences arising on retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture whilst retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations, and the effective portion of related hedges, are taken to the foreign currency translation reserve. They are released to profit or loss as an adjustment to profit or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in other comprehensive income and presented in the foreign currency translation reserve in equity.

1.4 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for:

- AASB 9 *Financial Instruments*;
- AASB 15 *Revenue from Contracts with Customers*; and
- AASB 16 *Leases*.

SECTION 1 – BASIS OF PREPARATION

1.4 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

AASB 9 *Financial Instruments*
The adoption of this standard will not have a material impact on the amounts recognised in the Group's financial statements. However, the new standard introduces expanded disclosure requirements and changes in presentation which will change the nature and extent of the Group's disclosures regarding its financial instruments in the financial statements for the year ending 30 June 2019.

AASB 15 *Revenue from Contracts with Customers*
This standard will be effective for the Group's financial statements with effect from 1 July 2018 and will have the following impacts on the Group's revenue:

- Revenue from gift cards that are not redeemed by customers ("breakage") is required to be estimated and recognised when the gift cards are sold based on historical patterns of redemption by customers. The Group currently recognises breakage only when gift cards expire. This will have the effect of decreasing the Group's deferred revenue balance at 1 July 2018.
- The determination of the fair value of points earned by customers in the Group's loyalty programs will change under AASB 15 as a result of specific guidance on the methodology required to be used in this calculation. This will have the effect of increasing the Group's deferred revenue balance at 1 July 2018.
- Contract acquisition costs related to hotel management agreements will be recognised over the term of the contracts as a reduction in revenue instead of as amortisation expense, with no net effect on the Group's profit or loss or net asset position.

The Group has assessed the estimated impact that the initial application of AASB 15 will have on its financial statements and determined that the cumulative effect on adoption at 1 July 2018 will not be significant.

AASB 15 allows entities to apply certain transitional provisions on initial adoption of this standard. The Group has determined to apply the cumulative effect adjustment approach to adoption of the standard and consequently there will be no restatement of 30 June 2018 comparative information in the financial statements for the year ending 30 June 2019.

AASB 16 *Leases*
This standard will have a material impact on the Group's accounting for operating leases. The Group has extensive operating lease arrangements, details of which are disclosed in Notes 5.3 and 7.1 in accordance with AASB 117 *Leases*. The new standard requires the recognition of a right-of-use ("ROU") asset and lease liability for each operating lease, with certain limited exceptions. Rental expense will no longer be recognised in respect of operating leases. Instead, the ROU asset will be depreciated over the lease term, whilst interest expense will be incurred in respect of the lease liability. These changes will have the effect of materially increasing the Group's earnings before interest, tax, depreciation and amortisation, and materially increasing the Group's depreciation and interest expenditure, whilst also potentially having a material impact on net profit after tax, which will vary from year to year, and has yet to be quantified by the Group.

AASB 16 allows entities to apply certain transitional provisions on initial adoption of the standard. The Group has determined to apply the modified retrospective transition approach to adoption of the standard and consequently the date of initial application will be 1 July 2019. Under the transitional provisions, the Group is required to determine the discount rate for each lease at 1 July 2019. The calculation of the impact on the Group's financial statements is materially sensitive to the discount rate used for each lease and consequently it is not yet possible to quantify the impact of AASB 16.

The Group's transition project is well advanced and the Group will be in a position to quantify the impact once the discount rate at 1 July 2019 is determined. The expected quantitative impact of adoption of AASB 16 will be disclosed in the Group's financial statements for the year ending 30 June 2019.

SECTION 2 – PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group. On the following pages are disclosures explaining the Group's revenue, segment reporting, individually significant items, taxation and earnings per share.

2.1 – REVENUE

Accounting policy

Revenue represents the total amount received or receivable, usually in cash, for goods sold or services provided to customers and excludes sales related taxes, discounts and intra-Group transactions.

Revenue recognition criteria for the Group's key classes of revenue are as follows:

Rendering of services

- Box office ticket revenue is recognised on the date the customer views the relevant film. When tickets are sold in advance or gift cards are sold to customers, this revenue is recorded as deferred revenue in the Statement of Financial Position until this date or expiry, whichever is earlier;
- Hotel room revenue is recognised when the room is occupied; and
- Ski pass revenue is recognised as the customer uses the service. For season and other passes, revenue is recorded as deferred revenue in the Statement of Financial Position initially and is then recognised over the period that the pass is valid.

The Group also operates loyalty programs in its cinema exhibition and hotel businesses where customers earn points when they purchase cinema tickets or stay at a qualifying hotel. These points can be redeemed by the customer at a later date for discounts on future purchases.

The consideration received from the customer who is a member of the loyalty program is allocated at the point of sale between the award points earned and the respective box office or hotel room revenue. This is the fair value of the points, which is adjusted to take into account the expected rates of forfeiture, and is recognised in deferred revenue in the Statement of Financial Position. The awards revenue is then recognised when the points are redeemed or expire, whichever is earlier.

Sale of goods

- Merchandise (including food and beverages) is recognised at the point of sale.

Other revenue and income

- Rental revenue is recognised on a straight-line basis over the term of the lease;
- Management and consulting fees are earned from hotels managed by the Group, usually under long term contracts with the hotel owner; and
- Other revenue, including interest, dividends and profit on disposal of non-current assets, is recognised in the period to which it relates.

	2018 $'000	2017 $'000
Revenue		
Rendering of services	839,894	849,453
Sale of goods	383,322	367,605
	1,223,216	1,217,058
Other revenue		
Rental revenue	29,982	26,470
Management and consulting fees	22,940	20,594
Apartment sales	508	15,130
Finance revenue	599	807
Dividends	771	795
Sundry	837	961
	55,637	64,757
Other income		
Insurance proceeds	5,041	8,720
Increase in fair value of investment properties	5,750	–
Profit on sale of the Group's interest in the Fiji Cinema Joint Venture	–	3,729
Profit on sale of property, plant and equipment	94	5
	10,885	12,454
	1,289,738	1,294,269

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING

Accounting policy
An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses from transactions with other Group segments. All segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to a segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment, before individually significant items, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office assets, head office expenses, and income tax assets and liabilities.

Additions to non-current segment assets are the total cost incurred during the period to acquire assets that include amounts expected to be recovered over more than 12 months after the year end date. Amounts include property, plant and equipment, but exclude financial instruments and deferred tax assets.

Segment information is presented in respect of the Group's reporting segments. These are the Group's main strategic business segments and have differing risks and rewards associated with the business due to their different product or service and geographic markets. For each of these operating segments, the Group's CEO regularly reviews internal management reports.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to those of other businesses. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing loans and borrowings and borrowing costs, interest income and corporate head office assets and expenses.

Operating segments
The Group comprises the following main operating segments:

Entertainment Australia
Includes the cinema exhibition operations in Australia, technology equipment supply and servicing, and the State Theatre.

Entertainment New Zealand
Includes cinema exhibition operations in New Zealand.

Entertainment Germany
Includes the cinema exhibition operations in Germany.

Hotels and Resorts
Includes the ownership, operation and management of hotels in Australia and overseas.

Thredbo Alpine Resort
Includes all the operations of the resort including property development activities.

Property and Other Investments
Includes property rental, investment properties and available-for-sale financial assets.

Geographical information
Also presented is information on the Group's split of revenue and non-current assets by geographic location. Geographic revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The Group operates in Australia, New Zealand and Germany.

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING (continued)

	Entertainment						
Operating segments	**Australia $'000**	**New Zealand $'000**	**Germany $'000**	**Hotels and Resorts $'000**	**Thredbo Alpine Resort $'000**	**Property and Other Investments $'000**	**Consolidated $'000**
2018							
Revenue and other income							
External segment revenue	455,121	87,308	307,383	337,093	72,971	23,776	1,283,652
Finance revenue							599
Other unallocated revenue							27
Revenue and other income before individually significant items							1,284,278
Individually significant items							5,460
Revenue and other income							1,289,738
Result							
Segment result before individually significant items	68,294	11,150	18,427	68,799	21,838	16,528	205,036
Share of net profit of equity accounted investees	306	–	1,491	471	–	–	2,268
Total segment result before individually significant items	68,600	11,150	19,918	69,270	21,838	16,528	207,304
Unallocated revenue and expenses							(17,034)
Net finance costs							(7,056)
Individually significant items							(17,673)
Profit before related income tax expense							165,541
Income tax expense							(53,631)
Profit after income tax expense							111,910
Amortisation and depreciation (net of impairment write-downs)	(27,230)	(5,868)	(10,988)	(26,915)	(3,867)	(2,994)	(77,862)
Impairment write-downs	(14,500)	–	(3,071)	(954)	–	–	(18,525)
Amortisation, depreciation and impairments	(41,730)	(5,868)	(14,059)	(27,869)	(3,867)	(2,994)	(96,387)

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Entertainment Germany $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Consolidated $'000
2018							
Assets							
Reportable segment assets	288,284	61,007	162,839	773,410	41,845	352,727	1,680,112
Equity accounted investments	8,706	–	2,201	3,461	–	–	14,368
	296,990	61,007	165,040	776,871	41,845	352,727	1,694,480
Deferred tax assets							4,771
Unallocated corporate assets							31,328
Total assets							1,730,579
Liabilities							
Reportable segment liabilities	108,511	12,685	59,350	46,221	20,733	–	247,500
Deferred tax liabilities							11,731
Unallocated corporate liabilities							382,750
Total liabilities							641,981
Acquisitions of non-current assets	38,502	2,907	12,127	112,865	3,533	3,947	173,881

2018

Geographical information	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
External segment revenue	832,489	133,528	307,383	1,273,400
Reportable segment assets	1,328,313	186,295	165,504	1,680,112
Equity accounted investments	8,706	3,461	2,201	14,368
Acquisitions of non-current assets	144,485	17,269	12,127	173,881

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING (continued)

	Entertainment						
Operating segments	**Australia $'000**	**New Zealand $'000**	**Germany $'000**	**Hotels and Resorts $'000**	**Thredbo Alpine Resort $'000**	**Property and Other Investments $'000**	**Consolidated $'000**
2017							
Revenue and other income							
External segment revenue	471,188	94,076	307,107	306,403	66,609	15,512	1,260,895
Finance revenue							807
Other unallocated revenue							27
Revenue and other income before individually significant items							1,261,729
Individually significant items							32,540
Revenue and other income							1,294,269
Result							
Segment result before individually significant items	78,492	10,787	20,027	52,734	18,187	9,343	189,570
Share of net profit of equity accounted investees	465	–	2,219	–	–	–	2,684
Total segment result before individually significant items	78,957	10,787	22,246	52,734	18,187	9,343	192,254
Unallocated revenue and expenses							(22,322)
Net finance costs							(8,995)
Individually significant items							(3,616)
Profit before related income tax expense							157,321
Income tax expense							(46,502)
Profit after income tax expense							110,819
Amortisation and depreciation (net of impairment write-downs)	(28,705)	(6,678)	(10,316)	(21,433)	(3,820)	(2,653)	(73,605)
Impairment write-downs	–	–	–	(8,870)	(2,116)	–	(10,986)
Amortisation, depreciation and impairments	(28,705)	(6,678)	(10,316)	(30,303)	(5,936)	(2,653)	(84,591)

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Entertainment Germany $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Consolidated $'000
2017							
Assets							
Reportable segment assets	291,632	74,682	150,426	688,432	41,940	345,440	1,592,552
Equity accounted investments	8,400	–	2,542	–	–	–	10,942
	300,032	74,682	152,968	688,432	41,940	345,440	1,603,494
Deferred tax assets							6,333
Unallocated corporate assets							26,499
Total assets							1,636,326
Liabilities							
Reportable segment liabilities	105,669	12,826	59,475	42,766	19,529	–	240,265
Deferred tax liabilities							12,192
Unallocated corporate liabilities							333,580
Total liabilities							586,037
Acquisitions of non-current assets	25,725	8,658	16,909	115,263	2,494	122,698	291,747

2017

Geographical information	Australia $'000	New Zealand and Fiji $'000	Germany $'000	Consolidated $'000
External segment revenue	820,620	132,368	307,107	1,260,095
Reportable segment assets	1,250,069	192,057	150,426	1,592,552
Equity accounted investments	8,400	–	2,542	10,942
Acquisitions of non-current assets	240,330	34,508	16,909	291,747

SECTION 2 – PERFORMANCE FOR THE YEAR

2.3 – INDIVIDUALLY SIGNIFICANT ITEMS

Individually significant items comprised the following:

	2018 $'000	2017 $'000
Impairment charges	(18,525)	(10,986)
Managing Director retirement and transition costs	–	(5,526)
Net proceeds from insurance	1,148	5,457
Write-back of expired voucher stock	–	5,184
Other individually significant items (net)	(296)	2,255
Individually significant items before income tax	(17,673)	(3,616)
Income tax benefit	5,302	751
Individually significant items after income tax	(12,371)	(2,865)

2.4 – TAXATION

Accounting policy
Income tax expense in the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Company and its Australian wholly-owned subsidiaries are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. EVENT Hospitality & Entertainment Limited is the head entity within the tax consolidated group.

Deferred tax
Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

- taxable temporary differences on the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

The Group has unrecognised deferred tax assets in respect of certain foreign tax revenue losses as disclosed on page 47. The utilisation of the tax revenue losses is dependent upon the generation of sufficient future taxable profits within the applicable foreign tax entities and a deferred tax asset is only recognised to the extent that it is supported by sufficient forecast taxable profits. Assumptions regarding the generation of future taxable profits relevant to those foreign tax entities has been based upon management's budget estimates and forecasts. Management considers that the forecast of taxable profits for the applicable foreign tax entities is subject to risk and uncertainty; hence, the Group has not recognised all of the losses as a deferred tax asset.

SECTION 2 – PERFORMANCE FOR THE YEAR

2.4 – TAXATION (continued)	**2018 $'000**	**2017 $'000**
Income tax expense		
The major components of income tax expense are:		
Income tax recognised in profit or loss	53,631	46,502
Current income tax		
Current income tax expense	49,696	49,958
Income tax under/(over) provided in prior year	780	(1,908)
Deferred income tax		
Relating to origination and reversal of temporary differences	3,155	(1,548)
Income tax expense reported in the Income Statement	53,631	46,502
Income tax (credited)/charged directly in equity		
Deferred income tax related to items (credited)/charged directly in equity:		
Relating to other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	4	(4)
Unrealised loss/(gain) on available-for-sale financial assets	299	(42)
Currency translation movements of deferred tax balances of foreign operations	(727)	(373)
Net (gain)/loss on hedge of net investment in overseas subsidiaries	(1,622)	32
Income tax benefit reported in equity	(2,046)	(387)
Reconciliation between income tax expense and pre-tax profit		
A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax expense	165,541	157,321
Prima facie income tax expense calculated at the Group's statutory income tax rate of 30% (2017: 30%) on accounting profit	49,662	47,196
Increase/(decrease) in income tax expense due to:		
Impairment write-down of land and buildings	1,632	1,057
Non-deductible items and losses in non-resident controlled entities	1,421	1,757
Amortisation of management rights and other intangible assets	914	936
Tax losses from prior years now recognised or utilised	39	(523)
Depreciation and amortisation of buildings	472	404
Other	152	542
	4,630	4,173
Decrease in income tax expense due to:		
Share of incorporated joint venture net profit	842	969
Non-assessable profit on disposal of interest in the Fiji Cinema Joint Venture	–	212
Other	599	1,778
	1,441	2,959
Income tax under/(over) provided in prior year	780	(1,908)
	53,631	46,502

SECTION 2 – PERFORMANCE FOR THE YEAR

2.4 – TAXATION (continued)	2018 $'000	2017 $'000
Unrecognised deferred tax assets		
Revenue losses – foreign	2,487	2,027
	2,487	2,027

Included in the deferred tax assets not recognised is the gross value of tax revenue losses arising in Germany of $8,290,000 (2017: $6,757,000). The availability of these tax losses is subject to certain utilisation limits and ongoing availability tests under German tax law. At 30 June 2018, there was no recognised deferred income tax liability (2017: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or incorporated joint ventures.

Deferred tax liabilities and assets	Statement of Financial Position		Income Statement	
Deferred tax liabilities	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax liabilities comprise:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	32,940	29,888	3,348	3,049
Investment properties	10,754	8,801	1,953	681
Available-for-sale financial assets	4,760	4,461	–	–
Share of joint arrangement timing differences	42	49	(7)	(26)
Expenditure immediately deductible for tax but amortised for accounting purposes	4,494	4,342	147	(267)
Accrued revenue	188	262	(88)	(375)
Prepayments	66	79	(13)	(4)
Interest and deferred financing costs	742	563	179	(323)
Share-based payments immediately deductible for tax but deferred and amortised for accounting purposes	–	321	(321)	(1,111)
Unrealised foreign exchange gains not currently assessable	68	1,518	–	(147)
Sundry items	568	557	17	(311)
	54,622	50,841		
Less: deferred tax assets of the tax consolidated group offset against deferred tax liabilities	(42,891)	(38,649)		
	11,731	12,192		
Deferred tax assets				
Deferred tax assets comprise:				
Difference in depreciation and amortisation of property, plant and equipment and intangible assets for accounting and income tax purposes	6,102	6,296	283	(1,879)
Share of joint arrangement timing differences	10,971	10,105	(866)	(898)
Provisions and accrued employee benefits not currently deductible	11,334	8,527	(2,795)	543
Deferred revenue	5,927	4,864	(1,071)	(200)
Accrued expenses	1,177	2,024	845	(1,037)
Discounted long term lease and non-interest bearing loan liabilities	34	34	–	–
Difference between book and tax values of residential apartment development	–	17	17	479
Share-based payments not currently deductible for tax	2,669	3,472	803	(1,288)
Capital losses offsetting unrealised capital gains	286	–	(286)	–
Tax losses carried forward	4,842	5,398	865	2,072
Unrealised foreign exchange losses not currently deductible	2,924	2,744	–	211
Sundry items	1,396	1,501	145	(719)
	47,662	44,982		
Less: deferred tax liabilities of the tax consolidated group offset against deferred tax assets	(42,891)	(38,649)		
	4,771	6,333		
Deferred tax expense/(benefit)			3,155	(1,550)

SECTION 2 – PERFORMANCE FOR THE YEAR

2.5 – EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit for the period attributable to members of the Company by the weighted average number of ordinary shares of the Company.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2018 $'000	2017 $'000
Profit attributable to ordinary shareholders (basic and diluted)	111,910	110,819
	Number	**Number**
Weighted average number of ordinary shares (basic)	160,195,475	159,162,961
Effect of performance shares and performance rights	1,368,020	2,076,392
Weighted average number of ordinary shares (diluted)	161,563,495	161,239,353

Further details in relation to the Executive Performance Rights Plan and Executive Performance Share Plan are provided in Note 6.1.

SECTION 3 – OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in Note 2.4.

On the following pages, there are sections covering working capital balances, property, plant and equipment, investment properties, intangible assets and provisions.

3.1 – TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value, and subsequently at the amounts considered recoverable (amortised cost). Where the payment terms for the sale of an asset are deferred, the receivable is discounted using the prevailing rate for a similar instrument of an issuer with similar credit terms. The unwinding of the discount is treated as finance revenue.

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. The Group's exposure to credit and foreign exchange risks related to trade and other receivables is disclosed in Note 4.5.

Estimates are used in determining the level of receivables that will not be collected, and these estimates take into account factors such as historical experience. Allowances are made for impairment losses when there is sufficient evidence that the Group will not be able to collect all amounts due. These allowances are made until such time that the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the asset directly.

The carrying value of trade and other receivables is considered to approximate fair value.

Receivables are stated with the amount of goods and services tax ("GST") or equivalent tax included.

	2018 $'000	2017 $'000
Current		
Trade receivables	23,683	26,581
Less: allowance for trade receivables	(617)	(615)
	23,066	25,966
Other receivables	32,227	29,085
	55,293	55,051
Non-current		
Other receivables	1,000	1,476
Receivable from associates	42	43
	1,042	1,519

As at 30 June 2018, trade receivables with a value of $617,000 (2017: $615,000) were impaired and fully provided for. The movement in the allowance is not considered material.

As at 30 June 2018, trade receivables for the Group that were past due but not impaired were $4,533,000 (2017: $4,048,000), of which $3,113,000 (2017: $2,112,000) was less than 30 days overdue. The remainder is not considered material and consequently an ageing analysis has not been provided.

Other current receivables of $32,227,000 (2017: $29,085,000) do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be recovered when due.

SECTION 3 – OPERATING ASSETS AND LIABILITIES

3.2 – INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Work in progress is valued at cost. Cost is based on the first-in-first-out principle and includes expenditure incurred in bringing inventories to their existing condition and location.

3.3 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Property, plant and equipment are the physical assets used by the Group to generate revenue and profit. These assets include land and buildings, and plant and equipment. Property, plant and equipment are recognised at cost (which is the amount initially paid for them) less accumulated depreciation (the estimate of annual wear and tear) and impairment losses.

The Group leases properties in the normal course of business, principally to conduct its cinema exhibition businesses. On inception of a lease, the estimated cost of decommissioning any additions to these properties (known as leasehold improvements) is included within property, plant and equipment and depreciated over the lease term. A corresponding provision is set up as disclosed in Note 3.7.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation is charged to the Income Statement on a straight-line basis over the asset's estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

- plant and equipment — 3 – 20 years;
- buildings and improvements subject to long term leases — Shorter of estimated useful life and term of lease;
- freehold buildings — 40 – 80 years; and
- resort apartments and share of common property — 40 – 80 years.

Freehold land and land subject to long term leases are not depreciated. Similarly, assets under construction (classified as capital work in progress) are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate.

Impairment of property, plant and equipment

Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss in the Income Statement whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment testing of property, plant and equipment is performed at an individual hotel or cinema site level, with the exception of cinema sites within a single geographic location, which are tested as one cash-generating unit. Details regarding impairment testing performed at 30 June 2018 is set out below.

SECTION 3 – OPERATING ASSETS AND LIABILITIES

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings $'000	Land subject to long term leases $'000	Buildings and improvements subject to long term leases $'000	Resort apartments and share of common property $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
2018							
Gross balance at the beginning of the year	741,091	1,344	347,610	34,055	759,056	209,944	2,093,100
Accumulated depreciation, amortisation and impairments at the beginning of the year	(114,799)	–	(203,420)	(26,074)	(511,099)	–	(855,392)
Net balance at the beginning of the year	626,292	1,344	144,190	7,981	247,957	209,944	1,237,708
Additions	1,696	–	7,267	–	18,908	141,517	169,388
Additions from acquisitions	–	–	–	–	397	–	397
Transfers	148,624	–	19,675	–	33,014	(201,853)	(540)
Disposals	(39)	–	(39)	–	(833)	–	(911)
Depreciation and amortisation	(10,270)	–	(13,351)	(229)	(47,284)	–	(71,134)
Impairment	(4,931)	–	(993)	–	(7,188)	–	(13,112)
Effect of movement in foreign exchange	1,759	(39)	(676)	–	19	(942)	121
At 30 June 2018	763,131	1,305	156,073	7,752	244,990	148,666	1,321,917
Gross balance at the end of the year	893,547	1,305	376,775	34,055	787,421	148,666	2,241,769
Accumulated depreciation, amortisation and impairments at the end of the year	(130,416)	–	(220,702)	(26,303)	(542,431)	–	(919,852)
Net balance at the end of the year	763,131	1,305	156,073	7,752	244,990	148,666	1,321,917
2017							
Gross balance at the beginning of the year	662,557	1,345	340,045	31,860	730,939	96,491	1,863,237
Accumulated depreciation, amortisation and impairments at the beginning of the year	(114,799)	–	(193,266)	(23,652)	(488,837)	–	(820,554)
Net balance at the beginning of the year	547,758	1,345	146,779	8,208	242,102	96,491	1,042,683
Additions	27,911	–	5,189	–	16,990	229,473	279,563
Additions from acquisitions	–	–	377	–	1,385	–	1,762
Transfers	68,183	–	5,089	–	41,924	(114,091)	1,105
Disposals	(141)	–	–	–	(3,420)	–	(3,561)
Disposal of business	(2,096)	–	(430)	–	(3,177)	–	(5,703)
Depreciation and amortisation	(9,177)	–	(12,778)	(227)	(44,804)	–	(66,986)
Impairment	(6,179)	–	–	–	(2,691)	(2,116)	(10,986)
Effect of movement in foreign exchange	33	(1)	(36)	–	(352)	187	(169)
At 30 June 2017	626,292	1,344	144,190	7,981	247,957	209,944	1,237,708
Gross balance at the end of the year	741,091	1,344	347,610	34,055	759,056	209,944	2,093,100
Accumulated depreciation, amortisation and impairments at the end of the year	(114,799)	–	(203,420)	(26,074)	(511,099)	–	(855,392)
Net balance at the end of the year	626,292	1,344	144,190	7,981	247,957	209,944	1,237,708

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

Independent valuations of interest in land and buildings

In assessing current values for the Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, the directors have relied in most cases upon independent valuations from registered qualified valuers or management value in use calculations. Except for investment properties, which are revalued every half year (refer to Note 3.4), valuations are generally carried out on a progressive three year cycle. The last valuations were completed as at June 2018 and June 2016.

Measurement of fair values

Amounts disclosed below represent the fair value of the Group's interest in land and buildings, excluding investment properties, as determined at the time of the most recent independent valuation report. Independent registered qualified valuers are engaged to perform the valuations. The values are determined based on the highest and best use of each property. In most cases, the existing use is the highest and best use and values are determined on a going concern basis. For certain properties, the highest and best use may differ from the current use, and consideration may be given to the development of such properties at an appropriate time in the future in order to realise the full value of the property.

This fair value disclosure has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. Going concern value is based on capitalisation and discounted cash flow methodologies, and significant unobservable inputs include the forecast net income for each property, and the capitalisation and discount rates used in determining fair value. In the most recent valuations, capitalisation rates utilised ranged from 4.75% to 12.25% and pre-tax discount rates utilised ranged from 6.5% to 13.75% per annum. For certain sites where the going concern value was not the highest and best use, fair value was determined using a direct comparison methodology with reference to recent sales of similar properties.

The fair values determined by the independent registered qualified valuers are sensitive to changes in these significant unobservable inputs. However, overall the fair value of the Group's interest in land and buildings, excluding investment properties, is significantly higher than the book value of these interests as noted below.

Most recent valuations of interest in land and buildings, excluding investment properties		**2018 $'000**	**2017 $'000**
A summary of recent independent valuations, by year of the last valuation, is set out as follows:			
Existing use is highest and best use			
Independent valuation	– 2018	1,367,255	–
	– 2016	206,580	474,326
	– 2015	–	576,110
		1,573,835	1,050,436
Alternate use is highest and best use			
Independent valuation	– 2018	101,707	–
	– 2015	–	75,600
Land and buildings not independently valued			
Book value of land and buildings not independently valued		287,758	389,626
		1,963,300	1,515,662

The book value of the above interests at 30 June 2018 was $1,118,029,000 (2017: $1,044,822,000). The written-down book value of plant and equipment which is deemed integral to land and buildings, has been determined to total approximately $134,917,000 as at 30 June 2018 (2017: $139,857,000).

The above valuations do not take into account the potential impact of capital gains tax.

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment considerations at 30 June 2018

Hotel properties are treated as separate cash-generating units and their recoverable values were based upon the independent valuations from registered qualified valuers at 30 June 2018, using the valuation parameters outlined above. The independent valuations were compared to the carrying amount of hotel properties and, as a result of these assessments, no impairment losses (2017: $10,986,000) were recognised in respect of hotel properties.

For hotels that had been subject to impairments in previous years, the trading performance and recoverable amount were also reviewed during the year. As a result of the review, there were no impairment charges (2017: nil) booked in previous years, that were required to be reversed in the year.

The trading performance of certain cinema sites caused the Group to assess their recoverable amount. Cinema sites are treated as separate cash-generating units, with the exception of cinema sites within a single geographic location, which are tested as one cash-generating unit. The recoverable values for each cinema site under review was based upon the independent valuations from registered qualified valuers at 30 June 2018, using the valuation parameters outlined above. Impairment losses totalling $13,112,000 (2017: nil) were recorded as a result of this assessment.

Security

The following assets, whose carrying values are listed below, are subject to mortgage security to secure the Group's bank loan facilities (refer to Note 4.4):

	2018 $'000	2017 $'000
Freehold land and buildings	253,092	257,622
Freehold land and buildings classified as investment properties	16,750	13,750
	269,842	271,372

Capital commitments

	2018 $'000	2017 $'000
Capital expenditure commitments contracted but not provided for and payable	46,959	70,715

3.4 – INVESTMENT PROPERTIES

Accounting policy

Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation, or both, and are not occupied by the Group in the ordinary course of business or for administration purposes. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with any change therein recognised in profit or loss. Property that is being constructed or redeveloped for future use as an investment property is also measured at fair value (unless a fair value cannot be reliably determined).

When the use of a property changes from owner occupied to investment property, the property is reclassified as an investment property. Any difference at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised directly to the investment property revaluation reserve if it is an increase and to profit or loss if it is a decrease. A gain may be recognised to profit on remeasurement only to the extent it reverses a previous impairment loss on the property. Subsequent transfers from investment property to property, plant and equipment or inventories occur when there is a change in use of the property, usually evidenced by commencement of redevelopment for own use.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognised in profit or loss in the period of derecognition.

Fair value of investment properties

Investment properties are independently revalued to fair value each reporting period, with any gain or loss arising on remeasurement being recognised in profit or loss. The fair value of investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. In assessing the fair value of investment properties, a number of assumptions are made at the end of each reporting period regarding future cash flows, future property market economic conditions and other factors including cash flow discount rates, rental capitalisation rates, and recent market transactions for similar properties.

The carrying amount of investment properties is the fair value of the properties as determined by an independent registered qualified valuer. The significant unobservable inputs used by the valuer in determining the fair value of the investment properties held by the Group at 30 June 2018 included capitalisation rates on reversionary rental yields in the range of 6.25% to 7.25% (2017: 6.75% to 8.50%).

Investment properties comprise a number of commercial properties that are leased to third parties and which are held to derive rental income or capital appreciation or both. Each of the leases for investment properties contains an initial non-cancellable period of between five and 15 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged for these investment properties.

During the year ended 30 June 2018, $6,004,000 (2017: $6,494,000) was recognised as rental income for investment properties in the Income Statement, with $1,645,000 (2017: $1,377,000) incurred in respect of direct costs, including $243,000 (2017: $145,000) for repairs and maintenance.

	2018 $'000	2017 $'000
Freehold land and buildings		
At fair value (Level 3 fair values)	74,000	68,250
Summary of movements:		
Balance at the beginning of the year	68,250	68,500
Fair value increment/(decrement)	5,750	(250)
Balance at the end of the year	74,000	68,250

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill arises from business combinations as described in Note 5.1 and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but instead is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units, and impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised in respect of goodwill cannot be reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying amount of the investment in the associate or joint venture.

Construction rights

Construction rights relate to the Group's ability to develop accommodation in the Thredbo Alpine Resort. Construction rights are recognised at cost and are derecognised as the rights are either sold or developed. The carrying value of construction rights is reviewed annually. Any amounts no longer considered recoverable are written off, with the impairment loss recorded in profit or loss.

Other intangible assets

Other intangible assets, which largely comprise management and leasehold rights and software, are stated at cost less accumulated amortisation and impairment losses. Management and leasehold rights are amortised over the life of the agreements, which range from 10 to 20 years, on a straight-line basis. Software for major operating systems is amortised over a four to five year period on a straight-line basis.

Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties (see Note 3.4), are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of assets or cash-generating units is the greater of their fair value less costs to sell, and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro-rata basis.

Impairment losses are recognised in profit or loss unless the asset or its cash-generating unit has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation, with any excess recognised in profit or loss.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Reconciliations

Summaries of the carrying amount movements of each class of intangible assets between the beginning and end of the year are set out below:

	Goodwill $'000	Construction rights $'000	Liquor licences $'000	Management and leasehold rights $'000	Software $'000	Total $'000
2018						
Gross balance at the beginning of the year	63,472	1,388	196	59,154	14,210	138,420
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(19,879)	(9,642)	(29,521)
Net balance at the beginning of the year	63,472	1,388	196	39,275	4,568	108,899
Acquisitions and initial contributions	–	–	–	2,440	1,656	4,096
Transfers	–	–	–	–	137	137
Amortisation and impairment	(954)	–	–	(8,164)	(2,068)	(11,186)
Disposals	–	–	–	–	(2)	(2)
Net foreign currency differences on translation of foreign operations	(500)	–	–	(286)	165	(621)
Net balance at the end of the year	62,018	1,388	196	33,265	4,456	101,323
Gross balance at the end of the year	62,018	1,388	196	60,340	15,054	138,996
Accumulated amortisation and impairment losses at the end of the year	–	–	–	(27,075)	(10,598)	(37,673)
Net balance at the end of the year	62,018	1,388	196	33,265	4,456	101,323
2017						
Gross balance at the beginning of the year	62,079	1,388	196	54,368	15,055	133,086
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(17,067)	(9,424)	(26,491)
Net balance at the beginning of the year	62,079	1,388	196	37,301	5,631	106,595
Acquisitions and initial contributions	3,593	–	–	5,712	1,117	10,422
Transfers	–	–	–	–	146	146
Amortisation	–	–	–	(3,684)	(2,114)	(5,798)
Disposals	(2,164)	–	–	–	(43)	(2,207)
Net foreign currency differences on translation of foreign operations	(36)	–	–	(54)	(169)	(259)
Net balance at the end of the year	63,472	1,388	196	39,275	4,568	108,899
Gross balance at the end of the year	63,472	1,388	196	59,154	14,210	138,420
Accumulated amortisation and impairment losses at the end of the year	–	–	–	(19,879)	(9,642)	(29,521)
Net balance at the end of the year	63,472	1,388	196	39,275	4,568	108,899

Impairment losses recognised

Impairment losses in relation to goodwill, management and leasehold rights totalling $5,413,000 were recognised during the year ended 30 June 2018. No impairment losses were recognised in the previous year.

	2018 $'000	2017 $'000
Impairment tests for cash-generating units containing goodwill		
The following units have carrying amounts of goodwill:		
Entertainment – Australia	33,260	33,260
Entertainment – New Zealand	9,250	9,605
Entertainment – Germany	4,051	3,817
Hotels – New Zealand	9,823	10,200
Hotels – Australia	3,593	3,593
Multiple units without significant goodwill	2,041	2,997
	62,018	63,472

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The recoverable value of goodwill relating to the exhibition business in Australia and New Zealand, and goodwill relating to the Group's share of a cinema joint venture in Germany, has been determined by value in use calculations. This calculation uses cash flow projections based on operating forecasts and projected five year results, with cash flows beyond the five year period being projected using a per annum growth rate of 2.5%, which is considered appropriate given economic indicators and the expected long term increase in revenue and operating costs in these markets. Pre-tax discount rates of 8.18% to 12.0% (2017: 7.86% to 12.0%) per annum have been used in discounting the projected cash flows. In management's assessment, there are no reasonable possible changes in assumptions that would give rise to an impairment.

3.6 – TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost. Trade payables are normally non-interest bearing and settled within 30 days. Payables are stated with the amount of GST or equivalent tax included.

The carrying value of trade and other payables is considered to approximate fair value.

	2018 $'000	2017 $'000
Trade payables	30,759	20,381
Other payables and accruals	76,188	86,514
	106,947	106,895

3.7 – PROVISIONS

Accounting policy

Employee benefits

Provision is made for employee benefits including annual leave and long service leave for employees. The provision is calculated as the present value of the Group's net obligation to pay such benefits resulting from the employees' services provided up to the reporting date. The provisions due or available to be settled within 12 months have been calculated at undiscounted amounts based on the remuneration rates the employer expects to pay after the reporting date and includes related on-costs.

The liability for employees' benefits to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the reporting date.

Liabilities for employee benefits which are not due to be settled within 12 months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee benefits, consideration has been given to future increases in wage and salary rates, and the Group's experience with staff departures. Related on-costs have also been included in the liability.

Insurance loss contingencies and other claims

The insurance loss contingencies and other claims provision relates to estimated costs to be incurred in respect of various claims that are expected to be settled within 12 months of the balance date.

Decommissioning of leasehold improvements

A provision for the estimated cost of decommissioning leasehold improvements is made where a legal or constructive obligation exists.

In determining the provision for decommissioning costs, an assessment is made for each location of the likelihood and amount of the decommissioning costs to be incurred in the future. The estimated future liability is discounted to a present value, with the discount amount unwinding over the life of the leasehold asset as a finance cost in profit or loss. The estimated decommissioning cost recognised as a provision is included as part of the cost of the leasehold improvements at the time of installation or during the term of the lease, as the liability for decommissioning is reassessed. This amount capitalised is then depreciated over the life of the asset.

3.7 – PROVISIONS (continued)

Decommissioning of leasehold improvements (continued)
The decommissioning of leasehold improvements provision has been raised in respect of "make-good" obligations under long term lease contracts for various cinema sites. In determining the provision, an assessment has been made, for each location, of the likelihood that a decommissioning cost will be incurred in the future and, where applicable, the level of costs to be incurred. Uncertainty exists in estimating the level of costs to be incurred in the future because of the long term nature of cinema leases. The basis of accounting is set out in Note 3.3.

Other
Other provisions are recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

	2018 $'000	2017 $'000
Current		
Employee benefits	20,385	20,532
Insurance loss contingencies and other claims	75	81
Onerous contract	205	–
	20,665	20,613
Non-current		
Employee benefits	3,025	2,830
Onerous contract	286	–
Decommissioning of leasehold improvements	13,132	11,510
	16,443	14,340
Movements in provisions		
Movements in the carrying amounts of each class of provisions, except for employee benefits, are set out below:		
Insurance loss contingencies and other claims		
Carrying amount at the beginning of the year	81	75
Payments	(34)	(20)
Provided	28	26
Carrying amount at the end of the year	75	81
Onerous contract		
Carrying amount at the beginning of the year	–	–
Provided	491	–
Carrying amount at the end of the year	491	–
Decommissioning of leasehold improvements		
Carrying amount at the beginning of the year	11,510	11,377
Provided	1,140	96
Reversed	(62)	(50)
Notional interest	200	114
Net foreign currency differences on translation of foreign operations	344	(27)
Carrying amount at the end of the year	13,132	11,510

3.8 – OTHER LIABILITIES

Other liabilities include contract deposits received in advance and deferred lease incentive balances arising from operating leases. Refer to Note 7.1 for further details regarding operating lease arrangements.

SECTION 4 – CAPITAL STRUCTURE AND FINANCING

This section outlines the Group's capital structure, including how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt).

On the following pages, there are sections on the Group's share capital, dividends, reserves, loans and borrowings, and financial risk management.

4.1 – SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The Company does not have authorised capital or par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Share capital				
Fully paid ordinary shares	160,560,596	159,488,932	219,126	219,126
Movements in share capital				
Balance at the beginning of the year	159,488,932	158,732,489	219,126	219,126
Share capital issued pursuant to the Executive Performance Rights Plan for nil consideration	343,973	–	–	–
Performance shares exercised and withdrawn from the trust	727,691	756,443	–	–
Balance at the end of the year	160,560,596	159,488,932	219,126	219,126
Share capital consists of:				
Ordinary shares	160,536,333	159,369,264		
Tax Exempt Share Plan shares	24,263	27,548		
Employee Share Plan shares	–	92,120		
	160,560,596	159,488,932		
Treasury shares				
Performance shares	343,300	1,070,991		
	160,903,896	160,559,923		

Share buy-back
There is no current on-market buy-back.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan was suspended in August 2010.

Treasury shares
Treasury shares consist of shares held in trust in relation to the Group's Executive Performance Share Plan. As at 30 June 2018, a total of 343,300 (2017: 1,070,991) shares were held in trust and classified as treasury shares. Information relating to the Group's share-based payment arrangements is set out in Note 6.1.

Options
Other than the performance rights disclosed in Note 6.1, there were no share options on issue as at 30 June 2018 (2017: nil).

4.1 – SHARE CAPITAL (continued)

Capital management

The Group manages its capital with the objective of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to have the capacity to take advantage of opportunities that will enhance the existing businesses and enable future growth and expansion. The Board monitors the return on capital, which the Group defines as operating profit after income tax divided by shareholders' equity and long term debt. The Board also monitors the Group's gearing ratio, being net debt divided by shareholders' equity.

It is recognised that the Group operates in business segments in which operating results may be subject to volatility and the Board continuously reviews the capital structure to ensure sufficient:

- surplus funding capacity is available;
- funds are available for capital expenditure and to implement longer term business development strategies; and
- funds are available to maintain appropriate dividend levels.

There were no changes in the Group's approach to capital management during the year. No Group entity is subject to externally imposed capital requirements.

4.2 – DIVIDENDS

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid during the year were:					
2018					
Final 2017 dividend	31	49,774	21 September 2017	30%	100%
Interim 2018 dividend	21	33,790	15 March 2018	30%	100%
		83,564			
2017					
Final 2016 dividend	31	49,774	22 September 2016	30%	100%
Interim 2017 dividend	20	32,112	16 March 2017	30%	100%
		81,886			

Subsequent events

Since the end of the year, the directors declared the following dividends:

Final 2018 dividend	31	49,880	20 September 2018	30%	100%

The financial effect of the final dividend in respect of the year has not been brought to account in the financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial statements.

	2018 $'000	2017 $'000
Franking credit balance		
The amount of franking credits available for future reporting periods	143,183	140,314

The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period is to reduce the balance by $21,377,000 (2017: $21,332,000). The ability to utilise franking credits is dependent upon the Company being in a sufficient positive net asset position and also having adequate available cash flow liquidity.

4.3 – RESERVES

Available-for-sale financial assets revaluation reserve
This reserve includes the cumulative net change in the fair value of available-for-sale financial assets. Amounts are recognised in the Income Statement when the associated assets are sold or impaired.

Investment property revaluation reserve
This reserve relates to property that has been reclassified as an investment property and represents the cumulative increase in the fair value of the property at the date of reclassification.

Hedging reserve
This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based payments reserve
This reserve includes the cumulative fair value of the executive performance shares and performance rights which have been recognised as an employee expense in the Income Statement. See Note 6.1 for further details regarding share-based payment arrangements.

Foreign currency translation reserve
This reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Group's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation and the Group's share of associates' increment or decrement in their foreign currency translation reserve.

Movements in reserves during the year	Available-for-sale financial assets revaluation $'000	Investment property revaluation $'000	Hedging $'000	Share-based payments $'000	Foreign currency translation $'000	Total $'000
At 1 July 2017	13,994	5,121	(10)	29,821	6,007	54,933
Movement in fair value of available-for-sale financial assets – net of tax	697	–	–	–	–	697
Movement in fair value of cash flow hedging instruments – net of tax	–	–	18	–	–	18
Amount recognised in the Income Statement as an employee expense	–	–	–	2,948	–	2,948
Currency translation adjustment on controlled entities' financial statements	–	–	–	–	5,192	5,192
Other adjustments	–	–	–	1,108	–	1,108
At 30 June 2018	14,691	5,121	8	33,877	11,199	64,896

SECTION 4 – CAPITAL STRUCTURE AND FINANCING

4.4 – LOANS, BORROWINGS AND FINANCING ARRANGEMENTS

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Loans and borrowings
Interest bearing and non-interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method. The carrying value of loans and borrowings is considered to approximate fair value.

Finance costs
Finance costs include interest, unwinding of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Ancillary costs incurred in connection with the arrangement of loans and borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Bank debt – secured
The Group's secured bank debt facilities were amended and restated on 15 August 2017 and comprise the following:

- $545,000,000 revolving multi-currency loan facility; and
- $15,000,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities mature on 15 August 2020 and are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 1.15% and 2.1% per annum. At 30 June 2018, the Group had drawn $375,540,000 (2017: $323,905,000) under the debt facilities, of which $nil (2017: $nil) was subject to interest rate swaps used for hedging, and had drawn $2,939,000 under the credit support facility (2017: $2,948,000).

Other facility – secured
Certain wholly-owned German subsidiaries have arranged a secured five year guarantee facility of €17,000,000 (A$26,797,000) (for the issue of letters of credit and bank guarantees).

The facility is supported by interlocking guarantees from certain (non-Australian based) Group entities and is secured against a specific property in Germany. Debt drawn under the facility bears interest at the relevant inter-bank benchmark rate plus a margin of between 0.75% and 2.75% per annum. At 30 June 2018, the Group had drawn €14,094,000 (A$22,216,000) under the facility.

SECTION 4 – CAPITAL STRUCTURE AND FINANCING

4.4 – LOANS, BORROWINGS AND FINANCING ARRANGEMENTS (continued)	2018 $'000	2017 $'000
Current		
Interest bearing loans and borrowings		
Bank loans – secured	–	323,905
Deferred financing costs	–	(98)
	–	323,807
Non-interest bearing loans and borrowings		
Loans from other companies – unsecured	1,127	1,634
	1,127	325,441
Non-current		
Interest bearing loans and borrowings		
Bank loans – secured	375,540	–
Deferred financing costs	(1,173)	–
	374,367	–
Non-interest bearing loans and borrowings		
Loans from other companies – unsecured	1,988	2,360
	376,355	2,360

4.5 – FINANCIAL RISK MANAGEMENT

Derivative financial instruments
From time to time, the Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operating activities, investing activities and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value within prepayments and other current assets. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

Available-for-sale financial assets
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Available-for-sale financial assets comprise marketable equity securities.

For investments that are actively traded in organised financial markets, fair value is determined by reference to securities exchange quoted market bid prices at the close of business at reporting date.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

Gains or losses on available-for-sale financial assets are recognised as a separate component of equity in the available-for-sale financial assets revaluation reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

An impairment loss recognised in profit or loss in respect of an available-for-sale investment is reversed through profit or loss to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

	2018 $'000	2017 $'000
Available-for-sale financial assets		
Investment in a listed company	20,924	19,928

The Group's investment is in a company listed on the ASX. No reasonably possible change in the share price of this company would have a material effect on the available-for-sale financial assets balance or the related revaluation reserve at the reporting date.

Financial risks

The Group's exposure to financial risks, objectives, policies and processes for managing the risks including methods used to measure the risks, and the management of capital are presented below.

The Group's activities expose it to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk, including interest rate and foreign exchange risks.

The Board has overall responsibility for the oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly and modified as appropriate to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee oversees how management has established and monitors internal compliance and control systems and to ensure the appropriate and effective management of the above risks. The Audit and Risk Committee is assisted in its oversight role by the Internal Audit function. The Internal Audit function undertakes reviews of risk management controls and procedures in accordance with an annual plan approved by the Audit and Risk Committee. The results of these Internal Audit reviews are reported to the Audit and Risk Committee.

Credit risk

Credit risk arises from trade and other receivables outstanding, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. It is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables. Information regarding the Group's trade receivable balances is disclosed in Note 3.1. The Group's exposure to credit risk is not considered material.

The Group's maximum exposure to credit risk at the reporting date was considered to approximate the carrying value of receivables at the reporting date.

Investments and derivatives

Investments of surplus cash and deposits and derivative financial instruments are with banks with high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At 30 June 2018, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

Guarantees
All guarantees are in respect of obligations of subsidiaries, associates, joint ventures or joint operations in which the Group has an interest, and principally relate to operating lease arrangements. The Group's operating lease commitments are disclosed in Note 7.1, and details of guarantees given by the parent entity are provided in Note 7.5.

Security deposits
Security deposits relate to the Group's operating lease arrangements. Certain lease agreements require an amount to be placed on deposit, which should then be returned to the Group at the conclusion of the lease term.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. The Group's treasury function aims to maintain flexibility in funding by maintaining committed credit lines with a number of counterparties.

The Group's financial liabilities
The contractual maturities of the Group's financial liabilities, including interest payments and excluding the impact of netting agreements, are as follows:

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 to 12 months $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000
2018							
Non-derivative financial liabilities							
Secured bank loans	375,540	(401,869)	(6,185)	(5,916)	(12,792)	(376,976)	–
Unsecured non-interest bearing loans from other companies	3,115	(3,115)	(564)	(564)	(971)	(763)	(253)
Trade payables	30,759	(30,759)	(30,759)	–	–	–	–
Other payables and accruals	76,188	(76,188)	(76,188)	–	–	–	–
Derivative financial assets							
Forward exchange contracts	(11)	11	11	–	–	–	–
	485,591	(511,920)	(113,685)	(6,480)	(13,763)	(377,739)	(253)
2017							
Non-derivative financial liabilities							
Secured bank loans	323,905	(325,754)	(325,754)	–	–	–	–
Unsecured non-interest bearing loans from other companies	3,994	(3,994)	(817)	(817)	(1,128)	(1,328)	96
Trade payables	20,381	(20,381)	(20,381)	–	–	–	–
Other payables and accruals	86,514	(86,514)	(86,514)	–	–	–	–
Derivative financial liabilities							
Forward exchange contracts	14	(14)	(14)	–	–	–	–
	434,808	(436,657)	(433,480)	(817)	(1,128)	(1,328)	96

For derivative financial assets and liabilities, maturities detailed in the table above approximate periods that cash flows and the impact on profit or loss are expected to occur.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

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

The Group uses derivative financial instruments such as interest rate swaps and forward exchange contracts to hedge exposures to fluctuations in interest rates and foreign exchange rates. Derivatives are used exclusively for hedging purposes and are not traded or used as speculative instruments. This is carried out under Board approved treasury policies.

Hedge of net investment in foreign operations
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation, that is determined to be an effective hedge, is recognised in other comprehensive income and presented in equity in the foreign currency translation reserve. The ineffective portion is recognised immediately in profit or loss.

Interest rate risk
The Group manages interest rate exposures on borrowings in accordance with a Board approved treasury policy that specifies parameters for hedging including hedging percentages and approved hedging instruments. The policy specifies upper and lower hedging limits set for specific timeframes out to five years. These limits may be varied with the approval of the Board.

At reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2018 $'000	2017 $'000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	–
	–	–
Variable rate instruments		
Financial assets	87,355	83,506
Financial liabilities	(375,540)	(323,905)
	(288,185)	(240,399)

The Group manages interest rate risk in accordance with a Board approved treasury policy covering the types of instruments, range of protection and duration of instruments. The financial instruments cover interest rate swaps and forward rate agreements. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the Group to raise long term borrowings at floating rates and swap a portion of those borrowings into fixed rates.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. There were no interest rate hedges at 30 June 2018 (2017: no interest rate hedges).

The Group classifies interest rate swaps as cash flow hedges and recognises them at fair value in the Statement of Financial Position.

The Group accounts for fixed rate financial assets and liabilities at fair value. The Group had no fixed rate instruments for the year ended 30 June 2018 (2017: no fixed rate instruments) and accordingly no sensitivity analysis has been prepared in the current or prior year.

Foreign exchange risk
The Group is exposed to currency risk on purchases, borrowings and surplus funds that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar ("AUD"), but also the New Zealand dollar ("NZD"), Euro ("EUR") and Great British pound ("GBP"). Transactions undertaken by Group entities are primarily denominated in AUD, NZD, EUR and the US dollar ("USD").

4.5 – FINANCIAL RISK MANAGEMENT (continued)

The Group manages foreign currency exposures in accordance with a Board approved treasury policy that specifies parameters for hedging, including hedging percentages and approved hedging instruments. At any point in time, the Group hedges up to 60% of "highly probable" foreign currency exposures and 100% of confirmed foreign currency exposures. Typically, foreign currency exposures are hedged with the utilisation of forward exchange contracts.

The Group's exposure to foreign currency risk in AUD equivalents at the reporting date was as follows, based on notional amounts:

	2018				2017			
	NZD $'000	EUR $'000	GBP $'000	USD $'000	NZD $'000	EUR $'000	GBP $'000	USD $'000
Cash and cash equivalents	387	4,956	199	1,143	842	4,666	10	1,270
Trade receivables	126	–	–	–	108	–	–	–
Secured bank loans	(71,540)	–	–	–	(81,905)	–	–	–
Trade payables	(298)	–	–	–	(316)	–	–	–
Gross balance sheet exposure	(71,325)	4,956	199	1,143	(81,271)	4,666	10	1,270
Forward exchange contracts	–	–	–	11	–	–	–	(14)
	–	–	–	11	–	–	–	(14)
Net exposure	(71,325)	4,956	199	1,154	(81,271)	4,666	10	1,256

Sensitivity analysis
No reasonably possible change in prevailing foreign exchange rates would have a significant impact on the Income Statement or hedging reserve in the current or prior year.

Hedging of net investment in foreign subsidiaries
The Group's NZD denominated bank loan is designated as a hedge of the foreign currency exposure to the Group's net investment in its subsidiaries in New Zealand. The carrying amount of the loan at 30 June 2018 was $71,540,000 (2017: $81,905,000). A foreign exchange gain of $2,838,000 (2017: loss of $25,000) was recognised in equity on translation of the loan to AUD.

Financial instruments fair value determination method grading
Valuation methods for financial instruments carried at fair value are defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets are classified as Level 1 financial instruments. Derivative financial instruments are classified as Level 2 financial instruments.

SECTION 5 – GROUP COMPOSITION

This section explains the composition of the Group.

On the following pages, there are sections on businesses acquired during the year, a list of subsidiaries, investments in associates and joint ventures, and disclosures regarding interests in other entities including cinema partnership interests.

5.1 – BUSINESS COMBINATIONS

Accounting policy
Business combinations are accounted for using the acquisition method as at the date when control is transferred to the Group. Under the acquisition method, consideration transferred in a business combination is generally measured at fair value, as are the identifiable net assets acquired. Consideration transferred includes the fair value of any contingent consideration, and share-based payment awards of the acquiree that are required to be replaced in the business combination.

The Group measures goodwill arising from the business combination at the acquisition date as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment (refer to Note 3.5). If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

A contingent liability of the acquiree is assumed in a business combination only if the liability represents a present obligation and arises from past events, and its fair value can be measured.

The Group measures any non-controlling interest at its proportionate interest of the fair value of identifiable net assets of the acquiree.

Transaction costs incurred by the Group in connection with a business combination, such as due diligence fees, legal fees and other professional costs, are expensed as incurred.

Business combination in the year ended 30 June 2018
There were no material business combinations in the year ended 30 June 2018.

Business combination in the year ended 30 June 2017
The Group acquired the following businesses during the prior year:

Downtown Cinemas
Effective 28 July 2016, Event Cinemas Limited, a wholly-owned subsidiary in New Zealand, acquired three cinemas in Palmerston North, Paraparaumu and Havelock North, New Zealand. The consideration paid was $7,255,000 (NZ$7,650,000).

The Group recognised the fair value of the following identifiable assets and liabilities relating to this acquisition:

	Fair value at acquisition date $'000
Plant and equipment	1,762
Inventories	69
Sub-total	1,831
Leasehold and management rights	5,424
Total net value of identifiable assets	7,255

5.1 – BUSINESS COMBINATIONS (continued)

Leasehold and management rights
Leasehold and management rights were recognised as a result of the acquisition as follows:

	$'000
Total cash consideration paid, net of cash acquired	7,255
Less: net value of other identifiable assets and liabilities	(1,831)
Leasehold and management rights	5,424

Leasehold and management rights will be amortised over the remaining term of the lease. Amortisation of leasehold and management rights is not expected to be deductible for income tax purposes.

The Group incurred direct costs relating to this acquisition of $33,000 which were expensed in the Income Statement for the prior year.

The Income Statement included revenue and net profit for the year ended 30 June 2017 of $6,734,000 and $625,000 respectively as a result of this acquisition.

Rydges Geelong
On 3 March 2017, the Group acquired a hotel property in Geelong in Victoria, Australia. The total consideration paid for the acquisition was $23,994,000.

The Group recognised the fair value of the following identifiable assets and liabilities relating to the acquisition:

	Fair value at acquisition date $'000
Property, plant and equipment	20,607
Other assets and liabilities	(206)
Total net value of identifiable assets	20,401

Goodwill
Goodwill was recognised as a result of the acquisition as follows:

	$'000
Total cash consideration paid, net of cash acquired	23,994
Less: net value of identifiable assets and liabilities	(20,401)
Goodwill	3,593

The goodwill was attributable mainly to the trading reputation and other intangible assets which were not separately identifiable. Goodwill recognised is not expected to be deductible for income tax purposes.

The Group incurred direct costs relating to this acquisition of $1,160,000 which were expensed in the Income Statement for the prior year.

The Income Statement includes revenue and net loss for the year ended 30 June 2017 of $2,150,000 and $9,000 respectively as a result of this acquisition. Had the acquisition occurred at the beginning of the year, it is estimated that the Income Statement would have included additional revenue and net profit of approximately $7,597,000 and $1,465,000 respectively.

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES

Accounting policy
Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-Group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial report.

		Ownership interest	
Subsidiaries	**Note**	**2018 %**	**2017 %**
Albury Hotel Property Unit Trust		100	100
Amalgamated Cinema Holdings Limited	(c)	100	100
Amalgamated Holdings Superannuation Fund Pty Limited		100	100
Ancona Investments Pty Limited		100	100
Atura Adelaide Airport Unit Trust		100	100
Atura Holdings Pty Limited		100	100
Atura Hotels and Resorts Pty Limited		100	100
Bay City Cinemas Limited	(c)	100	100
Birch, Carroll & Coyle Limited		100	100
BLN Hotels Property Unit Trust		100	100
Bryson Centre Unit Trust		100	100
Bryson Hotel Property Unit Trust		100	100
Bryson Hotel Pty Limited		100	100
Canberra Theatres Limited		100	100
CMS Cinema Management Services GmbH & Co. KG	(a)(e)	100	100
CMS Cinema Verwaltungs GmbH	(a)(e)	100	100
Edge Digital Cinema Pty Limited		100	100
Edge Digital Technology Pty Limited		100	100
Edge Investments BV	(a)(d)	100	100
Elsternwick Properties Pty Limited		100	100
Event Cinema Entertainment Pty Limited		100	100
Event Cinemas (Australia) Pty Limited		100	100
Event Cinemas Limited	(c)	100	100
Event Cinemas Nominees Limited	(c)	100	100
Event Cinemas (NZ) Limited	(c)	100	100
Event Cinemas Queen Street Nominees Limited	(c)	100	100
Event Hotels and Resorts Pty Limited		100	100
Event Hotels (NZ) Limited	(c)	100	100
EVT Administration Pty Limited		100	100
Filmpalast am ZKM Karlsruhe Beteiligungs GmbH	(a)(e)	100	100
Filmpalast Konstanz Beteiligungs GmbH	(a)(e)	100	100
First Cinema Management BV	(a)(d)	100	100
2015 First Holding GmbH	(a)(e)	100	100
Flaggspelt Vermogensverwaltungsgesellschaft mbH	(a)(e)	100	100
458 to 468 George Street Holding Pty Limited		100	–
458 to 468 George Street Holding Trust		100	–
458 to 468 George Street Development Pty Limited		100	–
458 to 468 George Street Development Trust		100	–
Glenelg Theatres Pty Limited		100	100

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES (continued)	Note	Ownership interest 2018 %	2017 %
Greater Entertainment Pty Limited		100	100
Greater Occasions Australia Pty Limited		100	100
Greater Union Betriebsmittel GmbH	(a)(e)	100	100
Greater Union Filmpalast Cubix in Berlin GmbH	(a)(e)	100	100
Greater Union Filmpalast Dortmund GmbH & Co. KG	(a)(e)	100	100
Greater Union Filmpalast GmbH	(a)(e)	100	100
Greater Union Filmpalast in der Kulturbrauerei Berlin GmbH	(a)(e)	100	100
Greater Union Filmpalast in Hamburg GmbH	(a)(e)	100	100
Greater Union Filmpalast Rhein-Main GmbH	(a)(e)	100	100
Greater Union First Cinema BV and Co. KG	(a)(e)	100	100
Greater Union International BV	(a)(d)	100	100
Greater Union International GmbH	(a)(e)	100	100
Greater Union International Holdings Pty Limited		100	100
Greater Union Limited	(a)(b)	100	100
Greater Union Media & Event GmbH	(a)(e)	100	100
Greater Union Nominees Pty Limited		100	100
Greater Union Real Estate 40 GmbH	(a)(e)	100	100
Greater Union Real Estate Mainz GmbH	(a)(e)	100	100
Greater Union Screen Entertainment Pty Limited		100	100
Greater Union Theaters Beteiligungs GmbH	(a)(e)	100	100
Greater Union Theaters Dritte GmbH & Co. KG	(a)(e)	100	100
Greater Union Theaters Dritte Verwaltungs GmbH	(a)(e)	100	100
Greater Union Theaters GmbH	(a)(e)	100	100
Greater Union Theaters Management Mainz GmbH	(a)(e)	100	100
Greater Union Theaters Verwaltungs GmbH	(a)(e)	100	100
Greater Union Theaters Zweite GmbH & Co. KG	(a)(e)	100	100
Greater Union Theaters Zweite Verwaltungs GmbH	(a)(e)	100	100
Greattheatre Pty Limited		100	100
GU Real Estate Mainz Management GmbH	(a)(e)	100	100
GUO Investments (WA) Pty Limited		100	100
Gutace Holdings Pty Limited		100	100
Haparanda Pty Limited		100	100
Haymarket's Tivoli Theatres Pty Limited		100	100
Kidsports Australia Pty Limited		100	100
Kosciuszko Thredbo Pty Limited		100	100
KTPL Unit Trust		100	100
Kvarken Pty Limited		100	100
Lakeside Hotel Property Unit Trust		100	100
Lakeside Hotel Pty Limited		100	100
Lakeside International Hotel Unit Trust		100	100
Mamasa Pty Limited		100	100
Multiplex Cinemas Magdeburg GmbH	(a)(e)	100	100
Multiplex Cinemas Oberhausen GmbH	(a)(e)	100	100
Neue Filmpalast GmbH & Co. KG	(a)(e)	100	100
Neue Filmpalast Management GmbH	(a)(e)	100	100
NFP Erste GmbH & Co. KG	(a)(e)	100	100
NFP Erste Verwaltungs GmbH	(a)(e)	100	100
Noahs Hotels (NZ) Limited	(c)	100	100
Noahs Limited		100	100
Northside Gardens Hotel Property Unit Trust		100	100
Northside Gardens Hotel Pty Limited		100	100
Pantami Pty Limited		100	100

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES (continued)	Note	Ownership interest 2018 %	Ownership interest 2017 %
203 Port Hacking Road Pty Limited		100	100
QT Gold Coast Pty Limited		100	100
QT Hotels and Resorts Pty Limited		100	100
QT Resort Port Douglas Pty Limited		100	100
RH Hotels Pty Limited		100	100
RQ Motels Pty Limited		100	100
Rydges Bankstown Pty Limited		100	100
Rydges Cronulla Pty Limited		100	100
Rydges Gladstone Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Pty Limited		100	100
Rydges Hotels Limited		100	100
Rydges Hotels Property Unit Trust		100	100
Rydges HPT Pty Limited		100	100
Rydges Property Holdings Pty Limited		100	100
Rydges Rotorua Hotel Limited	(a)(c)	100	100
Rydges Townsville Hotel Property Unit Trust		100	100
Sonata Hotels Pty Limited		100	100
Southport Cinemas Pty Limited		100	100
Sunshine Cinemas Pty Limited		100	100
Tannahill Pty Limited		100	100
The Geelong Theatre Company Limited		100	100
The Greater Union Organisation Pty Limited		100	100
Thredbo Resort Centre Pty Limited		100	100
Tourism & Leisure Pty Limited		100	100
Vierte Kinoabspielstatten GmbH & Co. KG	(a)(e)	100	100
Vierte Kinoabspielstatten Verwaltungs GmbH	(a)(e)	100	100
Western Australia Cinemas Pty Limited		100	100
Zollverein Pty Limited		100	100
Zweite Kinoabspielstatten GmbH & Co. KG	(a)(e)	100	100
Zweite Kinoabspielstatten Verwaltungs GmbH	(a)(e)	100	100

(a) These companies are audited by other member firms of KPMG International.
(b) This company was incorporated in and carries on business in the United Kingdom.
(c) These companies were incorporated in and carry on business in New Zealand.
(d) These companies were incorporated in and carry on business in The Netherlands.
(e) These companies were incorporated in and carry on business in Germany.

All companies, except those stated above, were incorporated in Australia. All trusts were established in Australia.

SECTION 5 – GROUP COMPOSITION

5.3 – INTERESTS IN OTHER ENTITIES

Accounting policy

Interests in equity accounted investees

The Group's interests in equity accounted investees comprise interests in associates and interests in joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Interests in associates and joint ventures (see below) are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control, in which the parties are bound by a contractual arrangement, and the contractual arrangement gives two or more of those parties joint control of the arrangement.

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group's interests in joint operations, which are arrangements in which the parties have rights to the assets and obligations for the liabilities, are accounted for on the basis of the Group's interest in those assets and liabilities. The Group's interests in joint ventures, which are arrangements in which the parties have rights to the net assets, are equity accounted.

Investments in associates and joint ventures	**2018 $'000**	**2017 $'000**
Associates	114	147
Joint ventures	14,254	10,795
	14,368	10,942

SECTION 5 – GROUP COMPOSITION

5.3 – INTERESTS IN OTHER ENTITIES (continued)

Joint ventures

Details of the Group's investments in joint ventures, which are accounted for using the equity method, are as follows:

Name	Principal activities	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %	Investment carrying amount 2018 $'000	Investment carrying amount 2017 $'000	Contribution to operating profit 2018 $'000	Contribution to operating profit 2017 $'000
Browns Plains Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	[a] 50	[a] 50	750	816	(66)	(65)
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	50	50	1,295	1,446	767	1,341
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	50	50	710	809	829	879
Rydges Latimer Holdings Limited	Hotel owner	New Zealand	16	–	3,461	–	471	–
Loganholme Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	[a] 50	[a] 50	7,842	7,437	405	532
Red Carpet Cinema Communication GmbH & Co. KG	Event management	Germany	50	50	196	287	(105)	–
					14,254	10,795	2,301	2,687

(a) Browns Plains Cinemas Pty Limited owns 33% of the Browns Plains Multiplex Joint Venture. The Group also has a direct 33% share in the Browns Plains Multiplex Joint Venture which is accounted for as a joint operation. The Group's total effective interest in the Browns Plains Multiplex Joint Venture is 50%.

Dividends received from joint ventures for the year ended 30 June 2018 amount to $2,252,000 (2017: $3,692,000). The balance date of each of the Group's joint ventures is 30 June.

Associates

Details of the Group's investments in associates, which are accounted for using the equity method, are as follows:

Name	Principal activities	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %	Investment carrying amount 2018 $'000	Investment carrying amount 2017 $'000	Contribution to operating profit 2018 $'000	Contribution to operating profit 2017 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	Australia	50	50	114	147	(33)	(3)
DeinKinoticket GmbH	Operator of DeinKinoticket website	Germany	24	24	–	–	–	–
Digital Cinema Integration Partners Pty Limited	Administration	Australia	48	48	–	–	–	–
Digital Cinema Integration Partners NZ Pty Limited	Administration	New Zealand	[a] 60	[a] 60	–	–	–	–
Movietimes Australia and New Zealand Pty Limited	Operator of Movietimes website	Australia	[a] 53	[a] 53	–	–	–	–
					114	147	(33)	(3)

(a) Digital Cinema Integration Partners NZ Pty Limited and Movietimes Australia and New Zealand Pty Limited are not consolidated as the Group does not have control.

Dividends received from associates for the year ended 30 June 2018 amount to $nil (2017: $nil). The balance date of each of the Group's associates is 30 June.

SECTION 5 – GROUP COMPOSITION

5.3 – INTERESTS IN OTHER ENTITIES (continued)

Joint operations

Details of the Group's investments in joint operations, which are accounted for on a line-by-line basis, are as follows:

			Ownership interest	
			2018	**2017**
Name	**Principal activities**	**Country of operation**	**%**	**%**
Australian Theatres Joint Venture	Operator of multiscreen cinema complexes	Australia	50	50
Browns Plains Multiplex Joint Venture	Operator of a multiscreen cinema complex	Australia	[a] 33	[a] 33
Castle Hill Multiplex Cinema Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50
Casuarina Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50
Garden City Cinema Joint Venture	Operator of a multiscreen cinema complex	Australia	33	33
Rialto Joint Venture	Operator of multiscreen cinema complexes	New Zealand	50	50
Toowoomba Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50

(a) In addition to the 33% interest in the Browns Plains Multiplex Joint Venture held directly, the Group has a 50% interest in Browns Plains Cinemas Pty Limited which is classified as a joint venture and equity accounted. Browns Plains Cinemas Pty Limited owns 33% of the Browns Plains Multiplex Joint Venture. The Group's total effective interest in the Browns Plains Multiplex Joint Venture is 50%.

Operating lease commitments of joint operations

The Group's share of future minimum operating lease rentals in respect of the above joint operations is not provided for but is payable:

	2018 $'000	2017 $'000
Within one year	32,785	31,591
Later than one year but not later than five years	87,091	85,649
Later than five years	106,562	92,152
	226,438	209,392

SECTION 6 – EMPLOYEE BENEFITS AND RELATED PARTY TRANSACTIONS

This section explains the remuneration of executives and other employees, and transactions with related parties including directors.

On the following pages, there are sections on share-based payments, director and executive disclosures and related party transactions.

6.1 – SHARE-BASED PAYMENTS

The Group's share-based payment arrangements include the Executive Performance Share Plan and the Executive Performance Rights Plan. Grants were made under the Executive Performance Share Plan from 2007 to 2013 inclusive. The Group conducted a review of its long term incentive ("LTI") arrangements in 2013 and resolved that the existing performance share-based LTI should be replaced with a performance rights-based LTI. Shareholders approved the Executive Performance Rights Plan at the 2013 Annual General Meeting. Grants have subsequently been made under the Executive Performance Rights Plan in February 2014, February 2015, February 2016, February 2017 and February 2018.

Accounting policy

The fair value of performance shares and rights granted under the Executive Performance Share Plan and the Executive Performance Rights Plan is recognised as an employee expense over the period during which the employees become unconditionally entitled to shares in the Company. There is a corresponding increase in equity, being recognition of a share-based payments reserve. The fair value of performance shares and rights granted is measured at grant date.

To facilitate the operation of the Executive Performance Share Plan and Executive Performance Rights Plan, a third party trustee is used to administer the trust which holds shares in the Company allocated under the Executive Performance Share Plan or otherwise held or acquired on market in order to satisfy the Group's future obligations under the Executive Performance Rights Plan. The trust is controlled by the Group and therefore its financial statements are included in the consolidated financial statements. The shares in the Group held by the trust are therefore shown as treasury shares (Note 4.1). The Group incurs expenses on behalf of the trust. These expenses are in relation to administration costs of the trust and are recorded in the Income Statement as incurred.

Performance shares and performance rights are subject to performance hurdles. The performance shares are recognised in the Statement of Financial Position as restricted ordinary shares. Performance shares are included within the weighted average number of shares used as the denominator for determining basic earnings per share and net tangible asset backing per share. Performance rights are not recognised in the Statement of Financial Position, but are included within the weighted average number of shares issued as the denominator for determining diluted earnings per share.

The Group measures the cost of the Executive Performance Share Plan and Executive Performance Rights Plan by reference to the fair value of the equity instruments at the date at which the instruments are granted. The fair value of performance rights granted is determined by an external valuer using a Monte Carlo simulation model and Binomial tree model using the assumptions detailed below.

Executive Performance Rights Plan

The establishment of the Executive Performance Rights Plan was approved by shareholders at the 2013 Annual General Meeting. Employees receiving awards under the Executive Performance Rights Plan are those of a senior level and above (including the CEO).

An employee awarded performance rights is not legally entitled to shares in the Company before the performance rights under the plan vest, and during the vesting period the performance rights do not carry the right to vote or to receive dividends. Once the rights have vested, which is dependent on the Group achieving its earnings per share ("EPS") and total shareholder return ("TSR") targets, participants are issued one ordinary share in the Company for each vested performance right held. Award, vesting and the issue of ordinary shares under the plan are made for no consideration. The performance period is three years.

6.1 – SHARE-BASED PAYMENTS (continued)

Set out below are summaries of performance rights awarded under the plan:

Type of right	Grant date	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2018						
Performance rights	19 February 2015	632,560	–	(609,054)	(23,506)	–
Performance rights	18 February 2016	515,683	–	–	(48,465)	467,218
Performance rights	16 February 2017	578,240	–	–	(53,895)	524,345
Performance rights	15 February 2018	–	567,956	–	(23,854)	544,102
		1,726,483	567,956	(609,054)	(149,720)	1,535,665
2017						
Performance rights	20 February 2014	611,269	–	(611,269)	–	–
Performance rights	19 February 2015	663,443	–	–	(30,883)	632,560
Performance rights	18 February 2016	550,958	–	–	(35,275)	515,683
Performance rights	16 February 2017	–	581,616	–	(3,376)	578,240
		1,825,670	581,616	(611,269)	(69,534)	1,726,483

Fair value of performance rights granted
The assessed fair value at grant date of performance rights granted under the Executive Performance Rights Plan during the year ended 30 June 2018 was $11.82 (2017: $11.09) for those rights that have EPS hurdles and $6.80 (2017: $3.92) for those rights that have TSR hurdles. The fair value of each performance right is estimated on the date of grant using a Binomial tree model for those rights that have EPS hurdles, and a Monte Carlo simulation model for those rights that have TSR hurdles with the following weighted average assumptions used for each grant:

	Granted 15 February 2018	Granted 16 February 2017	Granted 18 February 2016
Dividend yield (per annum)	4.0%	4.2%	3.4%
Expected volatility	20%	19%	19%
Risk-free rate (per annum)	2.07%	1.92%	1.85%
Share price	$13.09	$12.38	$15.31
Expected life	3 years	3 years	3 years

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

6.1 – SHARE-BASED PAYMENTS (continued)

Executive Performance Share Plan

Employees who received awards under the Executive Performance Share Plan were those of a senior level and above (including the CEO). An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the plan vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested, which is dependent on the Group achieving its EPS and TSR targets, they remain in the trust until the earliest of the employee leaving the Group, the seventh anniversary (for grants made from 2010) or the 10th anniversary (for grants made from 2007 to 2009) of the date the performance shares were awarded, or the date the Board approves an application for their release. Award, vesting and exercise under the plan are made for no consideration. The performance period is three years.

Set out below are summaries of performance shares awarded under the plan:

Year	Type of right	Balance at the start of the year	Granted	Exercised	Forfeited shares reallocated	Balance at the end of the year [(a)]
2018	Performance shares	1,070,991	–	(727,691)	–	343,300
2017	Performance shares	1,827,434	–	(145,174)	(611,269)	1,070,991

(a) The balance at the end of the prior year included a total of 183,261 shares that had been forfeited by employees due to cessation of employment. The forfeited shares were held within the trust and utilised in settlement of the Group's obligation under the Executive Performance Rights Plan award on 19 February 2015.

No performance shares were granted during the year ended 30 June 2018 (2017: nil).

Share-based payment expense

Total share-based payment expense included within employee expenses for the year ended 30 June 2018 was $2,948,000 (2017: $8,042,000).

6.1 – SHARE-BASED PAYMENTS (continued)

Superannuation

Group entities contribute to several defined contribution superannuation plans. The superannuation contributions recognised as an employee expense in the Income Statement are detailed below:

	2018 $'000	2017 $'000
Superannuation contributions recognised as an employee expense	16,544	15,917

6.2 – DIRECTOR AND EXECUTIVE DISCLOSURES

Information regarding individual directors' and executives' compensation and some equity instruments disclosures, as permitted by the Corporations Regulations 2001, are provided in the Remuneration Report contained within the Directors' Report. The relevant sections of the Remuneration Report are outlined below:

Section of Remuneration Report	Directors' Report page reference
Non-executive director remuneration	17
CEO and other executive remuneration	18
Fixed annual remuneration	18
Variable remuneration – short term incentive	18
Variable remuneration – long term incentive	19
Employment contracts	21
Directors' and executives' position and period of responsibility	22
Directors' and executives' remuneration	23
Performance rights holdings and transactions	26
Performance share holdings and transactions	28
Equity holdings and transactions	29

6.2 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Key management personnel remuneration

The key management personnel remuneration included in employee expenses is as follows:

	2018 $	2017 $
Employee benefits		
Short term	5,613,036	9,842,862
Other long term	50,720	54,645
Termination payments	–	1,959,618
Equity compensation	985,953	4,111,152
Post employment	213,740	208,077
	6,863,449	16,176,354

Other transactions with the Company or its controlled entities

AG Rydge is a director of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent and office service charges received during the year were $21,368 (2017: $20,240). The Company holds shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $755,213 (2017: $780,420).

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $101,539 (2017: $98,527). Rent is charged to AG Rydge at market rates.

A controlled entity has entered into a lease agreement for a cinema complex in Townsville with an entity related to KG Chapman. Rent paid under the lease is at market rates.

Apart from the details disclosed in the Remuneration Report, no KMP has entered into a material contract with the Group since the end of the previous year and there were no material contracts involving directors' interests existing at reporting date.

From time to time, KMP of the Group, or their related parties, may purchase goods or services from the Group. These purchases are usually on the same terms and conditions as those granted to other Group employees. Where the purchases are on terms and conditions more favourable than those granted to other Group employees, the resulting benefits form part of the total remuneration outlined within the Remuneration Report.

6.3 – RELATED PARTIES

Relationships with associates

Transactions with associates included the receipt of property rental income from an associate of $60,000 (2017: $57,000). Costs paid on behalf of an associate totalled $92,000 (2017: $104,000) and these costs were not refundable (2017: $nil) by that associate.

Refer also to Notes 3.1 and 5.3.

Relationships with joint ventures and joint operation partners

Refer to Note 5.3.

Key management personnel

Disclosures relating to directors of the Company and named executives are set out in the Remuneration Report contained within the Directors' Report, and in Note 6.2.

SECTION 7 – OTHER INFORMATION

This section contains other disclosures required by accounting standards and the Corporations Act 2001.

7.1 – COMMITMENTS AND LEASES

The Group leases various properties, including cinema sites, under operating leases. The leases typically run for periods up to 20 years, with varying terms, escalation clauses and renewal or extension options. The head lease in respect of the Thredbo Village and ski area is for a longer period, being 50 years from 29 June 2007.

A small number of leases have commitments in respect of contingent rental payments which arise when the operating performance of a site exceeds a pre-determined amount. Also, there are rentals which are determined as the higher of a base rental and a fixed percentage of a defined amount reflecting the operating performance of a site or a base rental plus a fixed percentage of the net profit from the site. Contingent rental payments recognised as an expense in the period for the Group amounted to $6,005,000 (2017: $6,907,000).

Payments made under operating leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Lease incentives, for example a rent-free period on commencement of a lease, are deferred and recognised over the lease term on a straight-line basis. Deferred lease incentives are recognised within other liabilities in the Statement of Financial Position. Operating lease rental expense (including contingent rent) for the year ended 30 June 2018 was $140,841,000 (2017: $136,516,000).

The Group does not have finance lease or hire purchase arrangements either as a lessor or a lessee.

Lease commitments for future years are set out below:

	2018 $'000	2017 $'000
Operating lease commitments – as lessee		
Future minimum operating lease rentals not provided for and payable:		
Within one year	100,748	96,737
Later than one year but not later than five years	271,245	279,791
Later than five years	228,867	214,146
	600,860	590,674

The Group receives rental income from a number of properties, both leased and owned. With the exception of sub-leases under the Thredbo head lease, leases are for periods ranging between one to 15 years and have varying terms, escalation clauses and renewal or extension options. There are approximately 700 sub-leases under the Thredbo head lease. Thredbo sub-leases consist of long term accommodation sub-leases for holiday apartments, chalets and lodges and also retail premises. Long term accommodation sub-leases are typically for periods mirroring the head lease, which was renewed for a further 50 year period from 29 June 2007.

Operating lease rental income for future years is set out below:

	2018 $'000	2017 $'000
Sub-lease receivables – as lessor		
Future lease receivables in relation to sub-leases of property space under operating leases not recognised and receivable:		
Within one year	7,446	10,654
Later than one year but not later than five years	29,029	32,872
Later than five years	239,164	238,959
	275,639	282,485
Operating leases – as lessor		
Future operating lease rentals for owned properties not recognised and receivable:		
Within one year	16,002	14,334
Later than one year but not later than five years	43,067	49,474
Later than five years	13,705	21,689
	72,774	85,497

SECTION 7 – OTHER INFORMATION

7.2 – CONTINGENT LIABILITIES

Claims for personal injury
The nature of the Group's operations results in claims for personal injury being received from time to time. The directors believe that the outcome of any current claims outstanding, which are not provided against in the financial statements, will not have a significant impact on the operating result of the Group in future reporting periods.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement at balance date.

7.3 – RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	111,910	110,819
Adjustments for:		
Depreciation and amortisation	77,862	73,605
Loss/(profit) on sale of non-current assets	820	(5)
Impairment adjustments	18,525	10,986
Fair value (increment)/decrement of investment properties	(5,750)	250
Equity accounted investment dividends	2,252	3,692
Share of equity accounted investees' net profit	(2,268)	(2,684)
Share-based payments expense	2,948	8,042
Receivables impairment adjustment	2	(128)
Unrealised foreign exchange (gains)/losses	(312)	369
Net cash provided by operating activities before change in assets and liabilities	205,989	204,946
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:		
Decrease/(increase) in trade and other receivables	478	(16,445)
(Increase)/decrease in inventories	(1,014)	12,307
Increase in prepayments and other current assets	(5,996)	(1,178)
Increase/(decrease) in deferred tax items	2,018	(1,853)
Increase/(decrease) in income taxes payable	705	(19,009)
Increase in trade and other payables	1,397	7,477
Increase in provisions	1,595	1,573
Increase/(decrease) in other liabilities	1,712	(1,303)
Increase in deferred revenue	664	2,156
Increase in financing costs payable	201	10
Net cash provided by operating activities	207,749	188,681

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST or equivalent tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows.

SECTION 7 – OTHER INFORMATION

7.4 – AUDITORS' REMUNERATION	2018 $	2017 $
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial statements	1,276,000	1,187,000
Other assurance services	337,663	146,756
Overseas KPMG firms		
Audit and review of financial statements	407,000	438,000
Other assurance services	103,717	86,192
	2,124,380	1,857,948
Other auditors		
Audit and review of financial statements	58,960	57,618
	58,960	57,618
	2,183,340	1,915,566
Other services:		
Auditors of the Group – KPMG Australia		
Tax compliance and advice	239,184	263,949
Other services	233,346	172,016
	472,530	435,965
Overseas KPMG firms		
Tax compliance and advice	245,243	362,039
Other auditors		
Tax compliance and advice	18,507	3,663
Other services	8,240	75,029
	26,747	78,692
	744,520	876,696

7.5 – PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2018, the parent entity of the Group was EVENT Hospitality & Entertainment Limited.

	2018 $'000	2017 $'000
Results of parent entity		
Profit for the year	73,309	68,598
Other comprehensive income for the year	1,883	4,895
Total comprehensive income for the year	75,192	73,493
Financial position of parent entity at year end		
Current assets	6,055	646
Total assets	394,209	402,095
Current liabilities	6,867	9,175
Total liabilities	11,856	14,239
Net assets	382,353	387,856

7.5 – PARENT ENTITY DISCLOSURES (continued)	2018 $'000	2017 $'000
Total equity of parent entity comprises:		
Share capital	219,126	219,126
Available-for-sale financial assets revaluation reserve	14,691	13,994
Share-based payments reserve	33,877	29,821
Retained earnings	114,659	124,915
Total equity	382,353	387,856

Parent entity contingencies

Controlled entities

The Company has guaranteed the obligations of some subsidiary entities in respect of a number of operating lease commitments. Operating lease commitments of subsidiary entities that have been guaranteed are due:

Not later than one year	51,291	50,938
Later than one year but not later than five years	66,535	74,582
Later than five years	49,756	43,735
	167,582	169,255

Joint ventures and joint operations

The Company has guaranteed the obligations of some joint ventures and joint operations in respect of a number of operating lease commitments. Operating lease commitments of joint ventures and joint operations are due:

Not later than one year	37,794	34,368
Later than one year but not later than five years	105,990	92,259
Later than five years	150,481	117,433
	294,265	244,060
	461,847	413,315

Parent entity guarantees

Subsidiaries

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of most of its Australian incorporated subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 7.7.

Bank debt facilities

The Company is a guarantor under the Group's secured bank debt facilities, as disclosed in Note 4.4.

7.6 – EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For final dividends declared after 30 June 2018, refer to Note 4.2.

SECTION 7 – OTHER INFORMATION

7.7 – DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the deed are:

Atura Hotels and Resorts Pty Limited
Birch, Carroll & Coyle Limited
Bryson Hotel Pty Limited
Canberra Theatres Limited
Edge Digital Technology Pty Limited
Elsternwick Properties Pty Limited
Event Cinema Entertainment Pty Limited
Event Cinemas (Australia) Pty Limited
Event Hotels and Resorts Pty Limited
Glenelg Theatres Pty Limited
Greater Entertainment Pty Limited
Greater Occasions Australia Pty Limited
Greater Union International Holdings Pty Limited
Greater Union Nominees Pty Limited
Greater Union Screen Entertainment Pty Limited
Greattheatre Pty Limited
GUO Investments (WA) Pty Limited
Gutace Holdings Pty Limited
Haparanda Pty Limited
Haymarket's Tivoli Theatres Pty Limited
Kidsports Australia Pty Limited
Kosciuszko Thredbo Pty Limited
Kvarken Pty Limited
Lakeside Hotel Pty Limited
Mamasa Pty Limited
Noahs Limited
Northside Gardens Hotel Pty Limited
Pantami Pty Limited
203 Port Hacking Road Pty Limited
QT Hotels and Resorts Pty Limited
QT Resort Port Douglas Pty Limited
RQ Motels Pty Limited
Rydges Bankstown Pty Limited
Rydges Cronulla Pty Limited
Rydges Hotels Limited
Sonata Hotels Pty Limited
Tannahill Pty Limited
The Geelong Theatre Company Limited
The Greater Union Organisation Pty Limited
Thredbo Resort Centre Pty Limited
Tourism & Leisure Pty Limited
Western Australia Cinemas Pty Limited
Zollverein Pty Limited.

A consolidated Statement of Comprehensive Income and a consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed, for the year ended, and as at, 30 June 2018 respectively are set out on the following page:

7.7 – DEED OF CROSS GUARANTEE (continued)	2018 $'000	2017 $'000
Statement of Comprehensive Income		
Profit before tax	130,423	110,283
Income tax expense	(41,480)	(35,315)
Profit for the year	88,943	74,968
Retained earnings at the beginning of the year	589,859	596,777
Dividends paid	(83,564)	(81,886)
Retained earnings at the end of the year	595,238	589,859
Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	32,361	29,541
Trade and other receivables	26,740	29,943
Inventories	16,011	15,627
Prepayments and other current assets	14,039	7,579
Total current assets	89,151	82,690
Non-current assets		
Trade and other receivables	1,042	1,519
Loans to controlled entities	161,630	188,506
Other financial assets	1,393	1,392
Available-for-sale financial assets	20,924	19,928
Investments in controlled entities	71,227	71,227
Investments accounted for using the equity method	8,706	8,400
Property, plant and equipment	1,006,656	926,004
Investment properties	74,000	68,250
Goodwill and other intangible assets	67,780	74,034
Deferred tax assets	2,525	2,979
Other non-current assets	913	2,158
Total non-current assets	1,416,796	1,364,397
Total assets	1,505,947	1,447,087
LIABILITIES		
Current liabilities		
Trade and other payables	59,663	68,715
Other loans and borrowings	–	324,059
Current tax liabilities	4,384	2,352
Provisions	16,888	17,193
Deferred revenue	56,161	56,358
Other current liabilities	3,753	2,216
Total current liabilities	140,849	470,893
Non-current liabilities		
Loans from controlled entities	109,981	103,053
Other loans and borrowings	375,226	859
Provisions	8,957	7,339
Deferred revenue	5,519	5,936
Total non-current liabilities	499,683	117,187
Total liabilities	640,532	588,080
Net assets	865,415	859,007
EQUITY		
Share capital	219,126	219,126
Reserves	51,051	50,022
Retained earnings	595,238	589,859
Total equity	865,415	859,007

DIRECTORS' DECLARATION

1. In the opinion of the directors of EVENT Hospitality & Entertainment Limited:

   (a) the consolidated financial statements and notes that are set out on pages 31 to 86 and the Remuneration Report in the Directors' Report set out on pages 17 to 29, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

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

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 7.7 to the financial statements will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3. The directors have received the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Director Finance & Accounting for the year ended 30 June 2018.

4. The directors draw attention to Note 1.2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

JM Hastings
Director

Dated at Sydney this 23rd day of August 2018.

Independent Auditor's Report

To the shareholders of Event Hospitality & Entertainment Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Event Hospitality & Entertainment Limited (the Company).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of Financial Position as at 30 June 2018
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

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

Key Audit Matters

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

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Asset valuation – Hotel and Cinema Property, Plant and Equipment Assets	
Refer to Note 3.3 to the Financial Report ($1,322M)	
The key audit matter	**How the matter was addressed in our audit**
This is a key audit matter due to: • the significant value of property, plant and equipment (being 76% of total assets); and • the high level of judgement required by us in assessing the significant judgements used by the Group to determine the carrying value of property, plant and equipment. The Group use a combination of external valuation experts and internal analysis to determine asset valuations. • External valuations were obtained by the Group in the current year for owned hotels. External valuations are based on value in use models. • Internal analysis was prepared by the Group to assess for indicators of impairment in Cinema CGUs. Where an indicator of impairment was present the Group prepared value in use models. There are a number of judgements, made by the Group and their external valuation experts when estimating the recoverable value of these assets. Some are more complex as they are dependent on assumptions about the future, such as revenue and cost growth rates, discount rates and terminal growth rates. Examples of specific judgments made in relation to hotel asset valuations include forecasted occupancy and room rates. Examples of specific judgements made in relation to cinema valuation include forecasted ticket and merchandising revenue. For each asset valuation, the geographic location and local economic conditions, such as the continuing decline of mining activity in central Queensland, are also taken into consideration when assessing the carrying value. These forward-looking estimations and the current market conditions increase the range of possible outcomes and the complexity for the audit.	Our procedures included: • For external valuations obtained by the Group, we assessed the competency of the valuer. We considered evidence of capability and objectivity along with the nature and scope of work the valuer was engaged by the Group to complete. • Evaluating the valuation approach adopted in the value in use models, external and internal, considering the accounting standards and industry practice. • Comparing key amounts in the value in use models, to a combination of board approved budgets and business forecast plans. • Assessing the accuracy of previous forecasting, including cash flows and capital expenditure, to inform our evaluation of forecasts included in the value in use models. We applied increased scepticism to forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater, volatility is expected, or specific local conditions are present. • Comparing forecasts with external data, such as forecast tourism visitation and box office scheduling. • Performing sensitivity analysis on those CGU's with a higher risk of impairment in key areas being the cash flow forecasts, discount rate and terminal growth assumptions.

KPMG

Other Information

Other Information is financial and non-financial information in Event Hospitality & Entertainment Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Event Hospitality & Entertainment Limited for the year ended 30 June 2018*,* complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 17 to 29 of the Directors' report for the year ended 30 June 2018.

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

KPMG

KPMG

Anthony Travers
Partner

Sydney
23 August 2018

Tracey Driver
Partner

Sydney
23 August 2018

SHAREHOLDER INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below:

SHAREHOLDINGS (AS AT 24 AUGUST 2018)

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Number of ordinary shares held
Enbeear Pty Limited	56,598,377*
Carlton Investments Limited	56,588,377
Perpetual Limited	21,209,948
Investors Mutual Limited	8,018,153

* Includes Carlton Investments Limited holding.

VOTING RIGHTS

Ordinary shares

There were 6,728 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 7.8(a) of the Company's Constitution, are:

"Subject to this constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting:

(1) on a show of hands, every member present has one vote; and

(2) on a poll, every member present has one vote for each share held as at the Record Time by the member entitling the member to vote, except for partly paid shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) on the shares bears to the total amounts paid and payable (excluding amounts credited) on the share. An amount paid in advance of a call is disregarded for this purpose."

Options

There were no outstanding options of the Company as at 24 August 2018.

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	Number of shares held
1 – 1,000	3,394	1,485,265
1,001 – 5,000	2,312	5,564,059
5,001 – 10,000	495	3,552,807
10,001 – 100,000	486	12,228,946
100,001 and over	41	138,072,819
	6,728	160,903,896

The number of shareholders holding less than a marketable parcel is 273.

UNQUOTED ORDINARY SHARES

There were 343,300 unquoted ordinary shares issued pursuant to the employee share plans. The shares were held by 57 holders. The unquoted ordinary shares have been included within the distribution of shareholders table above.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest shareholders of the quoted shares are:

	Number of shares held	Percentage of capital held
Enbeear Pty Limited	32,134,031	19.97%
HSBC Custody Nominees (Australia) Limited	25,277,679	15.71%
Eneber Investment Company Limited	19,777,772	12.29%
JP Morgan Nominees Australia Limited	8,867,022	5.51%
Citicorp Nominees Pty Limited	7,748,389	4.82%
Alphoeb Pty Limited	6,027,315	3.75%
The Manly Hotels Pty Limited	5,732,812	3.56%
Carlton Hotel Limited	5,276,103	3.28%
Mr Alan Graham Rydge	4,431,663	2.75%
National Nominees Limited	3,940,860	2.45%
Argo Investments Limited	3,012,387	1.87%
BNP Paribas Noms Pty Limited <DRP>	2,366,158	1.47%
BNP Paribas Nominees Pty Limited <Agency Lending DRP Account>	1,758,434	1.09%
Australian United Investment Company Limited	1,500,000	0.93%
Citicorp Nominees Pty Limited <Colonial First State Investment Account>	1,447,575	0.90%
TN Phillips Investments Pty Limited	1,346,000	0.84%
Australian Foundation Investment Company Limited	1,030,258	0.64%
Milton Corporation Limited	1,010,921	0.63%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp Account>	875,515	0.54%
Mr David Christopher Seargeant	453,490	0.28%
	134,014,384	83.28%

ON-MARKET BUY-BACK

There is no current on-market buy-back.

SECURITIES EXCHANGE

EVENT Hospitality & Entertainment Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. Shares are listed on the ASX under the code EVT.

OTHER INFORMATION

ANNUAL GENERAL MEETING
The Annual General Meeting will be held at 10:00am on Friday 19 October 2018 at:

Event Cinemas
505 – 525 George Street
Sydney NSW 2000.

REGISTERED OFFICE
478 George Street
Sydney NSW 2000

Telephone	+61 2 9373 6600
Facsimile	+61 2 9373 6534

www.evt.com

SHARE REGISTRY
Computershare Investor Services Pty Limited
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60 Carrington Street
Sydney NSW 2000

GPO Box 2975
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Telephone	1300 850 505
Facsimile	+61 3 9473 2500

www.computershare.com

For more information on EVENT Hospitality & Entertainment Limited, please refer to our website at www.evt.com.