APPENDIX 4D

Half Year Report
for the period ended 25 December 2018

Name of Entity: Ardent Leisure Group Limited (ASX: ALG) (ABN 51 628 881 603)

Results for announcement to the market

				$'000
Revenue from ordinary activities	Decreased	14.6%	to	226,676
Loss from ordinary activities after tax attributable to members	Increased from a loss of	(15,644)	to a loss of	(21,815)
Net loss for the period attributable to members	Increased from a loss of	(15,644)	to a loss of	(21,815)

Dividends/Distributions	**Amount per stapled security**
Current Period: Interim dividend	Nil
Previous Corresponding Period: Interim distribution	2.0¢
Record date for determining entitlements to the dividend	N/A

Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

On 3 October 2018, Ardent Leisure Group announced its proposal (Proposal) to establish a new listed company, Ardent Leisure Group Limited (Company), as the single head entity of the Group, in place of the previous stapled structure.

The Proposal was approved by Ardent Leisure Group securityholders on 20 November 2018 and by the Supreme Court of New South Wales on 28 November 2018. Implementation of the Proposal occurred effective 24 December 2018, by way of company and trust schemes of arrangement, resulting in previously stapled securities being exchanged for wholly owned shares by the newly listed entity. On implementation of the Proposal, eligible security holders were issued shares in the Company in the same proportion as stapled securities previously held.

While this is the first interim financial report with Ardent Leisure Group Limited as parent entity of the Group, the consolidated financial report is accounted for as a corporate reorganisation rather than a business combination. As such, the group's financial statements reflect the financial position and performance of the new group as if the restructure had always been in place and the financial report is therefore a continuation of the financial statements of the previous stapled group.

Current reporting period financial statements include results from 27 June 2018 to 25 December 2018 i.e. 182 days which is 3 days more than the prior corresponding period (1 July 2017 to 26 December 2017 i.e. 179 days).

The Group recorded a net loss after tax of $21.8 million for the period ended 25 December 2018, compared to a net loss of $15.6 million in the prior corresponding period. The prior period included $6.7 million net profit from discontinued operations, comprising the Marinas business (sold in August 2017) and Bowling and Entertainment business (sold in April 2018). Excluding the impact of disposed businesses, the continuing operations reported a slightly improved statutory result from a net loss of $22.3 million in the prior period to a net loss of $21.5 million in the current period.

During the period, the Group reported segment EBITDA from continuing operations of $0.5 million (26 December 2017: EBITDA loss of $15.7 million). Segment EBITDA includes the impact of a number of specific items as disclosed in the Interim Financial Report, the most notable being a prior period valuation loss on the Theme Parks of $22.8 million. After adjusting for the specific items disclosed, EBITDA from continuing operations declined overall by $1.2 million, as a result of an increase of $3.4 million in Main Event being offset by a decline of $4.5 million in Theme Parks, due to continued challenging conditions following the Thunder River Rapids incident and subsequent coronial inquiry hearings.

Refer to the Interim Financial Report for the period ended 25th December 2018 accompanying this Appendix 4D for further information on the financial performance of the Group.

Details of Dividends/Distributions

Refer attached financial statements (Directors Report and Note 9: Dividends and Distributions paid and payable).

Details of Dividend/Distribution Reinvestment Plan

The distribution reinvestment plan was in operation for the final distribution relating to 26 June 2018 which was paid during the half year ended 25 December 2018.

Net Tangible Assets

	Current period **25 December 2018**	**Previous corresponding Period** **26 December 2017**
Net tangible asset backing per security*	$0.73	$0.94
Net tangible asset backing per security after dividend/distribution	$0.73	$0.92

* Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e., all liabilities, preference shares, outside equity interests etc).

Control Gained or Lost over Entities during the Period

Name of entity (or group of entities) over which control was gained:	1. Main Event Louisiana, LLC 2. Main Event Florida, LLC
Date control was gained	1. 28 November 2018 2. 7 December 2018
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	Nil
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil

Name of entity (or group of entities) over which control was lost	None
Date control was lost	N/A
Consolidated profit from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A

Details of Associates and Joint Venture entities

N/A

Accounting standards used by foreign entities

N/A

Qualification of audit/review

Not applicable as there is no review dispute or qualification. Refer attached interim financial report for the independent auditor’s review report.

Interim Financial Report
for the period 27 June 2018 to 25 December 2018

The interim financial report was authorised for issue by the Directors of Ardent Leisure Group Limited (ABN 51 628 881 603) on 21 February 2019. The Directors have the power to amend and reissue the financial report.

Interim Financial Report

Directors' report

The Directors of Ardent Leisure Group Limited (Company) present their report together with the consolidated interim financial report of the Company and its controlled entities (collectively, the Group) for the period from 27 June 2018 to 25 December 2018.

Ardent Leisure Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are Level 8, 60 Miller Street, North Sydney NSW 2060.

The consolidated interim financial report is a continuation of the previously reported combined financial statements of the Ardent Leisure Stapled Group, which comprised Ardent Leisure Trust (Trust) and its controlled entities and Ardent Leisure Limited (ALL) and its controlled entities.

1. Corporate restructure of the Stapled Group

On 3 October 2018, Ardent Leisure Group announced its proposal (Proposal) to establish a new listed company, Ardent Leisure Group Limited, as the single head entity of the Group, in place of the previous stapled structure.

The Proposal was approved by Ardent Leisure Group securityholders on 20 November 2018 and by the Supreme Court of New South Wales on 28 November 2018. Implementation of the Proposal occurred effective 24 December 2018, by way of company and trust schemes of arrangement, resulting in previously stapled securities being exchanged for wholly owned shares by the newly listed entity. On implementation of the Proposal, eligible security holders were issued shares in the Company in the same proportion as stapled securities previously held.

On 3 October 2018, Ardent Leisure Group also announced a restructure (Restructure), involving the establishment of two new Australian special purpose vehicles, Aust HoldCo and Foreign HoldCo, which will be wholly owned subsidiaries of the Company. The shares of Ardent Leisure Limited and units of Ardent Leisure Trust will be transferred to Aust HoldCo and the overseas assets (i.e. the shares in the US holding company which holds the US Entertainment Centres) will be transferred to Foreign HoldCo. No securityholder approvals are required for the Restructure.

The Proposal and Restructure do not impact key areas of the Group, including:

- The underlying business and assets;
- Funds raised, acquisitions or disposals of businesses or assets;
- The Group Directors and Group management team; and
- Overall investments and interests of eligible securityholders.

Refer to Notes 1, 4(c) and 12 to the financial statements for further details regarding the accounting for the implementation of the Proposal.

While this is the first interim financial report with Ardent Leisure Group Limited as parent entity of the Group, the consolidated financial report is accounted for as a corporate reorganisation rather than a business combination. Accounting for a corporate reorganisation requires that the new group's financial statements reflect the financial position and performance of the new group as if the restructure had always been in place. Therefore, the corporate restructure is deemed to have been in place for the entire period and the Group accounting policies are consistent with the previous Stapled Group's accounting policies except as disclosed in Note 20(a) to the financial statements.

The new parent of the Group, Ardent Leisure Group Limited, was incorporated on 18 September 2018. Under section 323D(5) of the Corporations Act 2001 (Act), the first half year of the Company is deemed to be from 18 September 2018 to 17 March 2019. As such, the Company would ordinarily be required to lodge an interim financial report for this half year period with the Australian Securities and Investments Commission (ASIC). The Company has obtained relief from ASIC under section 340(1) of the Act to shorten its first half year to the period from 18 September 2018 to 25 December 2018 to align with the half year end of the Group and remove the dual reporting requirement which would have otherwise arisen.

2. Directors

The following persons have held office as Directors of the Company and, prior to the corporate restructure, were Directors of Ardent Leisure Management Limited (Manager) (as responsible entity for the Trust) and Ardent Leisure Limited during the period and up to the date of this report unless otherwise stated:

Gary Weiss;
David Haslingden;
Don Morris AO;
Randy Garfield;
Brad Richmond;
Toni Korsanos (appointed 1 July 2018); and
Roger Davis (resigned 17 August 2018).

3. Principal activities

The Group's principal activity is to invest in and operate leisure and entertainment businesses in Australia and the United States of America. There were no significant changes in the nature of the activities of the Group during the period.

4. Dividends and distributions

No interim dividend has been paid or declared for the half year ended 25 December 2018 (26 December 2017: Trust distribution of 2.00 cents per security).

5. Review and results of operations

The Group's strategy is to focus primarily on leisure and entertainment segments within its geographical areas of operation with mass market appeal. During the period, two businesses contributed to the overall result: Main Event and Theme Parks.

The performance of the Group, as represented by the aggregated results of its operations for the period from 27 June 2018 to 25 December 2018 (182 days), was as follows:

27 June 2018 to 25 December 2018	Main Event $'000	Theme Parks $'000	Corporate $'000	Continuing Operations $'000	Discontinued Operations $'000	Total $'000
Segment revenue	**192,312**	**34,362**	**2**	**226,676**	**-**	**226,676**
Segment EBITDA	**22,071**	**(12,406)**	**(9,207)**	**458**	**(284)**	**174**
Depreciation and amortisation	(18,680)	(4,756)	(502)	(23,938)	-	(23,938)
Segment EBIT	**3,391**	**(17,162)**	**(9,709)**	**(23,480)**	**(284)**	**(23,764)**
Borrowing costs				(1,487)	-	(1,487)
Interest income				15	-	15
Net loss before tax				**(24,952)**	**(284)**	**(25,236)**
Income tax benefit				3,421	-	3,421
Net loss after tax				**(21,531)**	**(284)**	**(21,815)**
The segment EBITDA above includes the following specific items:						
Pre-opening expenses	(1,472)	-	-	(1,472)	-	(1,472)
Dreamworld incident costs, net of insurance recoveries	-	(5,321)	-	(5,321)	-	(5,321)
Restructuring and other non-recurring items	(2,645)	(1,952)	(3,476)	(8,073)	-	(8,073)
Selling costs associated with discontinued operations	-	-	-	-	(284)	(284)
Gain/(loss) on disposal of assets	2,020	(50)	(327)	1,643	-	1,643
	(2,097)	**(7,323)**	**(3,803)**	**(13,223)**	**(284)**	**(13,507)**
The income tax benefit above includes the following specific items:						
Impact of destapling and corporatisation	-	-	5,379	5,379	-	5,379
Current period tax losses not recognised as a deferred tax asset	-	-	(7,590)	(7,590)	-	(7,590)
Tax impact of specific items listed above	440	2,197	1,141	3,778	-	3,778
	440	**2,197**	**(1,070)**	**1,567**	**-**	**1,567**

5. Review and results of operations (continued)

The performance of the Group, as represented by the aggregated results of its operations for the period from 1 July 2017 to 26 December 2017 (179 days), was as follows:

1 July 2017 to 26 December 2017	Main Event $'000	Theme Parks $'000	Corporate $'000	Continuing Operations $'000	Discontinued Operations $'000	Total $'000
Segment revenue	**155,774**	**34,662**	**5**	**190,441**	**75,113**	**265,554**
Segment EBITDA	**16,429**	**(25,450)**	**(6,683)**	**(15,704)**	**14,097**	**(1,607)**
Depreciation and amortisation	(16,122)	(4,250)	(593)	(20,965)	(7,483)	(28,448)
Segment EBIT	**307**	**(29,700)**	**(7,276)**	**(36,669)**	**6,614**	**(30,055)**
Borrowing costs				(5,453)	(53)	(5,506)
Interest income				161	-	161
Net (loss)/profit before tax				**(41,961)**	**6,561**	**(35,400)**
Income tax benefit				19,603	153	19,756
Net (loss)/profit after tax				**(22,358)**	**6,714**	**(15,644)**
The segment EBITDA above includes the following specific items:						
Valuation loss - property, plant and equipment	-	(22,841)	-	(22,841)	-	(22,841)
Pre-opening expenses	(1,966)	-	-	(1,966)	(568)	(2,534)
Dreamworld incident costs, net of insurance recoveries	-	(1,926)	-	(1,926)	-	(1,926)
Restructuring and other non-recurring items	(1,732)	-	(1,334)	(3,066)	-	(3,066)
Gain on sale of discontinued operations	-	-	-	-	4,678	4,678
Selling costs associated with discontinued operations	-	-	-	-	(1,586)	(1,586)
Loss on disposal of assets	(653)	(105)	(66)	(824)	(93)	(917)
	(4,351)	**(24,872)**	**(1,400)**	**(30,623)**	**2,431**	**(28,192)**
The income tax benefit above includes the following specific items:						
Restatement of deferred tax balances to reflect US tax reforms	14,931	-	-	14,931	-	14,931
Tax impact of specific items listed above	1,218	579	420	2,217	725	2,942
	16,149	**579**	**420**	**17,148**	**725**	**17,873**

The Group recorded a net loss after tax of $21.8 million for the period ended 25 December 2018, compared to a net loss of $15.6 million in the prior corresponding period. The prior period included $6.7 million net profit from discontinued operations, comprising the Marinas business (sold in August 2017) and Bowling & Entertainment business (sold in April 2018). Excluding the impact of disposed businesses, the continuing operations reported a slightly improved statutory result from a net loss of $22.3 million in the prior corresponding period to a net loss of $21.5 million in the current period.

Total revenue for the Group declined by $38.9 million compared to the prior corresponding period due to the lost revenue contribution of $75.1 million from the Marinas and Bowling & Entertainment businesses in the prior period, partially offset by a $36.2 million (19.0%) increase in revenue from continuing operations, driven primarily by the Main Event business. Theme Parks revenue remained flat period-on-period despite the current period being impacted by a number of coronial inquest hearings and reduced availability of rides.

Segment EBITDA for the period includes the impact of a number of specific items as disclosed in the tables above. After adjusting for the specific items disclosed, EBITDA from continuing operations declined overall by $1.2 million, as a result of an increase of $3.4 million in Main Event being offset by a decline of $4.5 million in Theme Parks, due to continued challenging conditions following the Thunder River Rapids ride incident and subsequent coronial inquiry hearings.

5. Review and results of operations (continued)

The performance of continuing operations compared to prior corresponding period is mainly driven by the following factors:

- Incremental revenue and EBITDA in Main Event due to full period contributions from three centres that opened during the prior year and one new centre that opened during the current period;
- Lower pre-opening expenses of $1.5 million (26 December 2017: $2.0 million) due to fewer Main Event centre openings in the current period;
- A reduction in borrowing costs to $1.5 million (26 December 2017: $5.5 million) due to large debt repayments and facility reductions following the sale of the Marinas and Bowling & Entertainment businesses in the prior corresponding period;
- A net gain on disposal of assets of $1.6 million, largely relating to Main Event (26 December 2017: $0.8 million loss);
- A valuation loss relating to Dreamworld of $22.8 million in the prior corresponding period; and
- A $5.4 million tax benefit recorded in the Trust following the completion of the Group destapling and corporatisation in December 2018;

Partly offset by:

- An increase in costs relating to the Thunder River Rapids ride incident at Dreamworld, net of insurance recoveries, which amounted to $5.3 million (26 December 2017: $1.9 million) due to coronial inquest hearings in June, October, November and December 2018;
- An increase in restructuring costs in Main Event, Theme Parks and Corporate, which amounted to $8.1 million (26 December 2017: $3.1 million). The Group was impacted by several one-off expenses as a result of restructuring activity in the current period, including consulting costs, executive severance payments and destapling costs;
- An increase in depreciation and amortisation to $23.9 million (26 December 2017: $21.0 million) due to new Main Event centres opened in the prior year and current period;
- A $14.9 million one-off income tax benefit relating to US tax reforms that lowered the US corporate income tax rate in the prior corresponding period; and
- A $7.6 million tax expense relating to tax losses not recognised as deferred tax assets in the current period.

6. Value of assets

	December 2018 $'000	June 2018 $'000
Value of total assets	653,501	621,128
Value of net assets	**422,756**	444,118

7. Interests in the Group

The movement in shares/securities of the Group during the period is set out below:

	December 2018	June 2018
Securities on issue at the beginning of the period	471,344,533	469,153,284
Securities issued under Distribution Reinvestment Plan	8,361,483	1,510,100
Securities issued as part of ALL's employee security-based payments plans	-	681,149
Shares/securities on issue at the end of the period	**479,706,016**	**471,344,533**

8. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Directors' report

9. Rounding of amounts to the nearest thousand dollars

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

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

Gary Weiss
Chairman

Toni Korsanos
Director

Sydney
21 February 2019

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Auditor's Independence Declaration to the Directors of Ardent Leisure Group Limited

As lead auditor for the review of Ardent Leisure Group Limited for the half-year ended 25 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Ardent Leisure Group Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

John Robinson
Partner
21 February 2019

Income Statement
for the half year ended 25 December 2018

	Note	December 2018 $'000	December 2017 $'000
Income			
Revenue from operating activities	3	226,676	190,441
Net gain from derivative financial instruments		-	179
Interest income		15	161
Other income		6,767	10,661
Total income		**233,458**	**201,442**
Expenses			
Purchases of finished goods		32,151	27,679
Salary and employee benefits		100,205	79,737
Borrowing costs		1,487	5,453
Property expenses		29,084	24,162
Depreciation and amortisation		23,938	20,965
Loss on sale and leaseback of Main Event Centre		-	706
Loss on disposal of assets		377	118
Advertising and promotions		12,723	11,015
Repairs and maintenance		14,951	11,907
Pre-opening expenses		1,472	1,966
Loss on disposal of damaged assets		-	8,984
Net loss from derivative financial instruments		341	-
Valuation loss - property, plant and equipment		-	22,841
Dreamworld incident costs		9,967	3,532
Other expenses		31,714	24,338
Total expenses		**258,410**	**243,403**
Loss before tax benefit		**(24,952)**	**(41,961)**
Income tax benefit	4	3,421	19,603
Loss from continuing operations		**(21,531)**	**(22,358)**
(Loss)/profit from discontinued operations, net of tax	16	(284)	6,714
Loss for the half year		**(21,815)**	**(15,644)**
Attributable to:			
Ordinary share/security holders		**(21,815)**	**(15,644)**

The above Income Statement should be read in conjunction with the accompanying notes.

	Note	December 2018	December 2017
Total basic losses per share/security (cents)	10	(4.58)	(3.34)
Basic losses per share/security (cents) from continuing operations	10	(4.52)	(4.77)
Total diluted losses per share/security (cents)	10	(4.58)	(3.33)
Diluted losses per share/security (cents) from continuing operations	10	(4.52)	(4.76)

Statement of Comprehensive Income
for the half year ended 25 December 2018

	Note	December 2018 $'000	December 2017 $'000
Loss for the half year		(21,815)	(15,644)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges		-	652
Foreign exchange translation difference	12	15,642	2,039
Income tax relating to these items		-	(89)
Other comprehensive income for the half year, net of tax		**15,642**	**2,602**
Total comprehensive loss for the half year, net of tax		**(6,173)**	**(13,042)**
Attributable to:			
Ordinary share/security holders		(6,173)	(13,042)
Total comprehensive loss for the half year, net of tax		**(6,173)**	**(13,042)**
Total comprehensive loss for the half year, net of tax attributable to share/security holders, arises from:			
Continuing operations		(5,889)	(19,756)
Discontinued operations		(284)	6,714
Total comprehensive loss for the half year, net of tax		**(6,173)**	**(13,042)**

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

Balance Sheet
as at 25 December 2018

	Note	December 2018 $'000	June 2018 $'000
Current assets			
Cash and cash equivalents		17,372	16,548
Receivables		8,209	12,032
Derivative financial instruments	8	486	748
Inventories		9,175	8,180
Construction in progress inventories	7	20,484	24,239
Other		11,249	9,625
Total current assets		**66,975**	**71,372**
Non-current assets			
Property, plant and equipment	5	487,691	455,668
Investments held at fair value		2,811	2,811
Livestock		228	236
Intangible assets	6	72,929	70,275
Deferred tax assets		22,867	20,766
Total non-current assets		**586,526**	**549,756**
Total assets		**653,501**	**621,128**
Current liabilities			
Payables		60,755	69,204
Construction in progress deposits	7	16,329	22,397
Interest bearing liabilities	14	97,568	-
Current tax liabilities		953	318
Provisions		1,586	1,695
Other		2,789	3,264
Total current liabilities		**179,980**	**96,878**
Non-current liabilities			
Payables		31,754	32,513
Derivative financial instruments	8	71	28
Interest bearing liabilities	14	-	27,849
Provisions		2,816	2,651
Deferred tax liabilities		16,124	17,091
Total non-current liabilities		**50,765**	**80,132**
Total liabilities		**230,745**	**177,010**
Net assets		**422,756**	**444,118**
Equity			
Contributed equity	11	777,124	666,731
Other equity		(326)	(1,405)
Reserves	12	(93,269)	(14,246)
Accumulated losses	13	(260,773)	(206,962)
Total equity		**422,756**	**444,118**

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

Statement of Changes in Equity
for the half year ended 25 December 2018

	Note	Contributed equity $'000	Other equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Total equity at 1 July 2017		662,450	(1,662)	(26,861)	(102,205)	531,722
Loss for the half year		-	-	-	(15,644)	(15,644)
Other comprehensive income for the half year		-	-	2,602	-	2,602
Total comprehensive income/(loss) for the half year		**-**	**-**	**2,602**	**(15,644)**	**(13,042)**
Transactions with owners in their capacity as owners:						
Equity-based payments		-	-	(1,751)	-	(1,751)
Equity issue costs		(6)	-	-	-	(6)
Equity-based payments - securities issued	11	1,313	-	-	-	1,313
Distributions paid and payable	9	-	-	-	(4,691)	(4,691)
Issuance of treasury securities		-	248	-	-	248
Distributions received from treasury securities	13	-	-	-	8	8
Total equity at 26 December 2017		**663,757**	**(1,414)**	**(26,010)**	**(122,532)**	**513,801**
Total equity at 27 June 2018		666,731	(1,405)	(14,246)	(206,962)	444,118
Impact of change in accounting standard	3, 13	-	-	-	(1,401)	(1,401)
Total restated equity at 27 June 2018		666,731	(1,405)	(14,246)	(208,363)	442,717
Loss for the half year		-	-	-	(21,815)	(21,815)
Other comprehensive income for the half year		-	-	15,642	-	15,642
Total comprehensive income/(loss) for the half year		**-**	**-**	**15,642**	**(21,815)**	**(6,173)**
Transactions with owners in their capacity as owners:						
Equity-based payments	12	-	-	(574)	-	(574)
Contributions of equity, net of issue costs	11	16,302	-	-	-	16,302
Distributions paid and payable	9	-	-	-	(30,637)	(30,637)
Issuance of treasury securities		-	1,079	-	-	1,079
Distributions received from treasury securities	13	-	-	-	42	42
Impact of corporate restructure	11, 12	94,091	-	(94,091)	-	-
Total equity at 25 December 2018		**777,124**	**(326)**	**(93,269)**	**(260,773)**	**422,756**

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

Statement of Cash Flows
for the half year ended 25 December 2018

	December 2018 $'000	December 2017 $'000
Cash flows from operating activities		
Receipts from customers	252,757	288,746
Payments to suppliers and employees	(241,654)	(239,141)
Property expenses paid	(29,402)	(39,410)
Payments for construction in progress inventories	(8,494)	(3,355)
Interest received	15	161
Deposits received for construction in progress	6,358	6,390
US and New Zealand withholding tax paid	(194)	(71)
Insurance recoveries	5,162	1,467
Income tax refund/(paid)	319	(158)
Net cash flows from operating activities	**(15,133)**	**14,629**
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(40,564)	(66,560)
Proceeds from the sale of plant and equipment	31	32
Proceeds from the sale of land and buildings	-	12,583
Proceeds from the sale of Bowling & Entertainment	2,665	-
Proceeds from the sale of Marinas, net of cash disposed	-	123,080
Insurance recoveries relating to damaged assets	2,021	4,926
Net cash flows from investing activities	**(35,847)**	**74,061**
Cash flows from financing activities		
Proceeds from borrowings	382,437	483,888
Repayments of borrowings	(314,054)	(551,262)
Borrowing costs	(1,626)	(5,444)
Costs of issue of stapled securities	(30)	(7)
Distributions received from treasury securities	42	8
Distributions paid to security holders	(14,306)	(4,691)
Net cash flows from financing activities	**52,463**	**(77,508)**
Net increase in cash and cash equivalents	1,483	11,182
Cash and cash equivalents at the beginning of the half year	16,548	10,846
Effect of exchange rate changes on cash and cash equivalents	(659)	16
Cash and cash equivalents at the end of the half year	**17,372**	**22,044**

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

Notes to the Financial Statements
for the half year ended 25 December 2018

1. Basis of preparation

Corporate restructure

On 3 October 2018, Ardent Leisure Group announced its proposal (Proposal) to establish a new listed company, Ardent Leisure Group Limited (Company), as the single head entity of the Group, replacing the previous stapled structure.

The Proposal was approved by Ardent Leisure Group securityholders on 20 November 2018 and by the Supreme Court of New South Wales on 28 November 2018. Implementation of the Proposal occurred effective 24 December 2018, by way of company and trust schemes of arrangement, resulting in previously stapled securities being exchanged for wholly owned shares by the newly listed entity. On implementation of the Proposal, eligible security holders were issued shares in the Company in the same proportion as stapled securities previously held.

Ardent Leisure Group Limited is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

This consolidated interim financial report represents the consolidated financial statements of the Company and its controlled entities (collectively, the Group) for the reporting period ended 25 December 2018 and has been prepared in accordance with the requirements of the Australian Accounting Standards (including AASB 134 *Interim Financial Reporting*) and the *Corporations Act 2001*. The consolidated interim financial report is a continuation of the combined financial statements of the Ardent Leisure Stapled Group, which comprised Ardent Leisure Trust (Trust) and its controlled entities and Ardent Leisure Limited (ALL) and its controlled entities.

While this is the first interim financial report with Ardent Leisure Group Limited as parent entity of the Group, the consolidated financial report is accounted for as a corporate reorganisation rather than a business combination. Accounting for a corporate reorganisation requires that the new group's financial statements reflect the financial position and performance of the new group as if the restructure had always been in place. Therefore, the corporate restructure is deemed to have been in place for the entire period and the Group accounting policies are consistent with the previous Stapled Group's accounting policies, except as disclosed in Note 20(a).

Ardent Leisure Group Limited, was incorporated on 18 September 2018. Under section 323D(5) of the Corporations Act 2001 (Act), the first half year of the Company is deemed to be from 18 September 2018 to 17 March 2019. As such, the Company would ordinarily be required to lodge an interim financial report for this half year period with the Australian Securities and Investments Commission (ASIC). The Company has obtained relief from ASIC under section 340(1) of the Act to shorten its first half year to the period from 18 September 2018 to 25 December 2018 to align with the half year end of the Group and remove the dual reporting requirement which would have otherwise arisen.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the financial report of the previously stapled Ardent Leisure Group for the year ended 26 June 2018 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Refer to Notes 4(c) and 12 for further details regarding the accounting for the implementation of the Proposal.

New and amended accounting standards adopted by the Group

The new or amended accounting standards which became effective for the reporting period commencing on 27 June 2018 are set out below:

- AASB 9 *Financial Instruments* and relevant amending standards;
- AASB 15 *Revenue from Contracts with Customers* and relevant amending standards;
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*; and
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

Except as disclosed in Note 3, the adoption of new and amended standards and interpretations has not resulted in a material change to the financial performance or position of the Company.

Historical cost convention

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

1. Basis of preparation (continued)

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of the fair values of the Group's assets, which are derived on a consistent basis with that disclosed in the annual financial report of the Group for the year ended 26 June 2018, and assumptions related to deferred tax assets and liabilities, impairment testing of goodwill and Director valuations for some property, plant and equipment, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next reporting period.

Reclassification of comparative information

The Company has reclassified certain amounts related to the prior period financial position to conform to current period presentation. These reclassifications have not changed the results of operations of prior periods.

Deficiency of current assets

As at 25 December 2018, the Group had a deficiency of current assets of $113.0 million (26 June 2018: $58.0 million). This includes $97.6 million of bank loans which have been classified as current liabilities due to these having a maturity date of 10 August 2019 as at the reporting date. As disclosed in Note 21, in February 2019 the Group obtained lender consent to extend the maturity of this debt to 28 February 2020 while the Company is in the process of finalising its US debt refinancing. Excluding this debt, the Group has a deficiency of current assets of $15.4 million. Due to the nature of the business, the majority of sales are for cash whereas purchases are on credit, resulting in a negative working capital position. Surplus cash is used to repay external loans, resulting in deficiencies of current assets. The Group expects to generate positive operating cashflows in the next 12 months and has $14.9 million (26 June 2018: $141.6 million) of unused capacity in its bank loans which can be utilised to fund any deficiency in its net current assets. Refer to Note 14.

2. Segment information

Business segments

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

Main Event

This segment operates solely in the United States of America and comprises 42 Main Event sites in Texas, Arizona, Georgia, Illinois, Kentucky, Missouri, New Mexico, Ohio, Oklahoma, Kansas, Florida, Indiana, Pennsylvania, Tennessee, Maryland, Delaware and Colorado.

Theme Parks

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

Bowling & Entertainment

This segment was sold in the prior year on 30 April 2018.

Marinas

This segment was sold in the prior year on 14 August 2017.

2. Segment information (continued)

27 June 2018 to 25 December 2018

	Main Event $'000	Theme Parks $'000	Corporate $'000	Continuing Operations $'000	Bowling & Entertainment $'000	Marinas $'000	Health Clubs $'000	Discontinued Operations $'000	Total $'000
Segment revenue	**192,312**	**34,362**	**2**	**226,676**	**-**	**-**	**-**	**-**	**226,676**
Segment EBITDA	**22,071**	**(12,406)**	**(9,207)**	**458**	**(269)**	**(8)**	**(7)**	**(284)**	**174**
Depreciation and amortisation	(18,680)	(4,756)	(502)	(23,938)	-	-	-	-	(23,938)
Segment EBIT	**3,391**	**(17,162)**	**(9,709)**	**(23,480)**	**(269)**	**(8)**	**(7)**	**(284)**	**(23,764)**
Borrowing costs				(1,487)				-	(1,487)
Interest income				15				-	15
Net loss before tax				**(24,952)**				**(284)**	**(25,236)**
Income tax benefit				3,421				-	3,421
Net loss after tax				**(21,531)**				**(284)**	**(21,815)**
The segment EBITDA above includes the following specific items:									
Pre-opening expenses	(1,472)	-	-	(1,472)	-	-	-	-	(1,472)
Dreamworld incident costs, net of insurance recoveries	-	(5,321)	-	(5,321)	-	-	-	-	(5,321)
Restructuring and other non-recurring items	(2,645)	(1,952)	(3,476)	(8,073)	-	-	-	-	(8,073)
Selling costs associated with discontinued operations	-	-	-	-	(269)	(8)	(7)	(284)	(284)
Gain/(loss) on disposal of assets	2,020	(50)	(327)	1,643	-	-	-	-	1,643
	(2,097)	**(7,323)**	**(3,803)**	**(13,223)**	**(269)**	**(8)**	**(7)**	**(284)**	**(13,507)**
The income tax benefit above includes the following specific items:									
Impact of destapling and corporatisation	-	-	5,379	5,379	-	-	-	-	5,379
Current period tax losses not recognised as a deferred tax asset	-	-	(7,590)	(7,590)	-	-	-	-	(7,590)
Tax impact of specific items listed above	440	2,197	1,141	3,778	-	-	-	-	3,778
	440	**2,197**	**(1,070)**	**1,567**	**-**	**-**	**-**	**-**	**1,567**
Total assets	475,825	148,497	29,179	653,501	-	-	-	-	653,501
Acquisitions of property, plant and equipment	16,480	22,021	9	38,510	-	-	-	-	38,510

2. Segment information (continued)

1 July 2017 to 26 December 2017

	Main Event $'000	Theme Parks $'000	Corporate $'000	Continuing Operations $'000	Bowling & Entertainment $'000	Marinas $'000	Health Clubs $'000	Discontinued Operations $'000	Total $'000
Segment revenue	**155,774**	**34,662**	**5**	**190,441**	**72,460**	**2,653**	**-**	**75,113**	**265,554**
Segment EBITDA	**16,429**	**(25,450)**	**(6,683)**	**(15,704)**	**8,774**	**5,418**	**(95)**	**14,097**	**(1,607)**
Depreciation and amortisation	(16,122)	(4,250)	(593)	(20,965)	(7,483)	-	-	(7,483)	(28,448)
Segment EBIT	**307**	**(29,700)**	**(7,276)**	**(36,669)**	**1,291**	**5,418**	**(95)**	**6,614**	**(30,055)**
Borrowing costs				(5,453)				(53)	(5,506)
Interest income				161				-	161
Net (loss)/profit before tax				**(41,961)**				**6,561**	**(35,400)**
Income tax benefit				19,603				153	19,756
Net (loss)/profit after tax				**(22,358)**				**6,714**	**(15,644)**
The segment EBITDA above includes the following specific items:									
Valuation loss - property, plant and equipment	-	(22,841)	-	(22,841)	-	-	-	-	(22,841)
Pre-opening expenses	(1,966)	-	-	(1,966)	(568)	-	-	(568)	(2,534)
Dreamworld incident costs, net of insurance recoveries	-	(1,926)	-	(1,926)	-	-	-	-	(1,926)
Restructuring and other non-recurring items	(1,732)	-	(1,334)	(3,066)	-	-	-	-	(3,066)
Gain on sale of discontinued operations	-	-	-	-	-	4,678	-	4,678	4,678
Selling costs associated with discontinued operations classified as held for sale	-	-	-	-	(1,491)	-	(95)	(1586)	(1,586)
Loss on disposal of assets	(653)	(105)	(66)	(824)	(64)	(29)	-	(93)	(917)
	(4,351)	**(24,872)**	**(1,400)**	**(30,623)**	**(2,123)**	**4,649**	**(95)**	**2,431**	**(28,192)**
The income tax benefit above includes the following specific items:									
Restatement of deferred tax balances to reflect US tax reforms	14,931	-	-	14,931	-	-	-	-	14,931
Tax impact of specific items listed above	1,218	579	420	2,217	636	89	-	725	2,942
	16,149	**579**	**420**	**17,148**	**636**	**89**	**-**	**725**	**17,873**
Total assets	473,995	181,497	29,692	685,184	167,534	-	-	167,534	852,718
Acquisitions of property, plant and equipment	41,079	5,611	385	47,075	17,795	-	-	17,795	64,870

3. Revenue from operating activities

	December 2018 $'000	December 2017 $'000
Revenue from services	140,575	118,309
Revenue from sale of goods	86,099	72,132
Other revenue	2	-
Revenue from operating activities	**226,676**	**190,441**

Implementation of AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* establishes a new revenue recognition model, changes the basis for deciding whether revenue is to be recognised over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenue.

The most significant impact of the new Standard for the Group is a change in the revenue recognition profile of Theme Parks' annual/season passes. Under the previous standards, revenue was recognised on these passes based on usage and visitation whereas the new Standard requires such income to be recognised on a straight-line basis over the period that the pass allows access to the parks.

The Group adopted AASB 15 using the modified retrospective approach from 27 June 2018. As a result of adopting the standard, the Company recorded a $1.4 million increase to accumulated losses with a corresponding increase in deferred revenue.

In accordance with AASB 15 disclosure requirements, the impact of the adoption of the new Standard on revenue reported for the half year to 25 December 2018 is to reduce revenue from services by $1.1 million with corresponding impacts to accumulated losses and deferred revenue as follows:

	Before adoption of AAS 15 $'000	Impact of AASB 15 $'000	As reported under AASB 15 $'000
Revenue from operating activities	227,817	(1,141)	226,676
Payables	58,213	2,542	60,755
Accumulated losses	(259,372)	(1,401)	(260,773)

4. Income tax benefit

(a) Income tax benefit

	December 2018 $'000	December 2017 $'000
Current tax	570	(5,742)
Deferred tax	(3,885)	(14,014)
Over provided in prior year	(106)	-
	(3,421)	**(19,756)**
Income tax benefit is attributable to:		
Loss from continuing operations	(3,421)	(19,603)
Loss from discontinued operations	-	(153)
	(3,421)	**(19,756)**
Deferred income tax benefit included in income tax benefit comprises:		
(Increase)/decrease in deferred tax assets	(3,122)	7,263
Decrease in deferred tax liabilities	(763)	(21,277)
	(3,885)	**(14,014)**

(b) Numerical reconciliation of prima facie tax benefit to income tax benefit

	December 2018 $'000	December 2017 $'000
Loss from continuing operations before income tax benefit	(24,952)	(41,961)
(Loss)/profit from discontinued operations before income tax benefit	(284)	6,561
	(25,236)	**(35,400)**
Less: Profit from the trusts	-	32,787
Prima facie loss	**(25,236)**	**(2,613)**
Tax at the Australian tax rate of 30% (26 December 2017: 30%)	(7,571)	(784)
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:		
Foreign exchange conversion differences	11	-
Entertainment	48	55
Non-deductible depreciation and amortisation	265	1,067
Non-deductible interest due to thin capitalisation	399	-
Sundry items	(691)	24
Current period tax losses not recognised as a deferred tax asset	7,590	-
Employee security-based payment plans	112	(179)
Gain on disposal of discontinued operations	-	(6,176)
Restructuring costs	1,043	-
Selling costs associated with discontinued operation classified as held for sale	-	470
Impact of destapling and corporatisation	(5,379)	-
Deferred tax benefit arising from US tax reforms	-	(14,944)
US state taxes	(77)	658
Withholding tax	188	89
Research and development and other credits	70	(130)
Difference in overseas tax rates	677	94
Over provided in prior year	(106)	-
Income tax benefit	**(3,421)**	**(19,756)**

4. Income tax benefit (continued)

(c) Impact of corporate restructure

Taxation of Trust Income

Under the previous stapled structure, the Trust was a managed investment trust which derived its earnings from passive income, predominantly rent and interest. Under these arrangements, the trustee of the Trust was not liable for payment of income tax provided that its net income, as determined under the Trust Constitution, was fully distributed to its unit holders. As the Trust was treated as a 'flow through' entity for taxation purposes, with its net taxable income being taxed in the hands of its unit holders, it did not recognise any taxation balances in its financial statements.

Following implementation of the corporate restructure, the Trust became a member of a tax consolidated group and, as such its net income is now included in the taxable income of that tax consolidated group. The Group has recognised current and deferred tax balances in its Balance Sheet and an associated tax expense/benefit in its income statement of $13.0 million in respect of the Trust's impact on the taxable income of the tax consolidated group.

Tax base adjustments

For Australian tax purposes, following implementation of the corporate restructure, the Group has a tax consolidated group comprising Ardent Leisure Group Limited, ALL, the Trust and their wholly owned Australian subsidiaries. The application of the tax consolidation provisions required the tax bases of the Trust assets to be reset when the Trust joined the tax consolidated group, resulting in a decrease in deferred tax assets of $7.7 million.

The tax cost base of the ALL assets has not been reset as a result of the capital gains tax rollover that is automatically applied when the ALL shares were exchanged for Company shares.

5. Property, plant and equipment

Segment	Note	Cost less accumulated depreciation December 2018 $'000	Cumulative revaluation decrements December 2018 $'000	Consolidated book value December 2018 $'000	Cost less accumulated depreciation June 2018 $'000	Cumulative revaluation decrements June 2018 $'000	Consolidated book value June 2018 $'000
Theme Parks	(1) (2) (3)	244,610	(112,674)	131,936	226,318	(112,674)	113,644
Main Event		354,058	-	354,058	339,918	-	339,918
Other		1,697	-	1,697	2,106	-	2,106
Total		**600,365**	**(112,674)**	**487,691**	**568,342**	**(112,674)**	**455,668**

(1) The book value of Dreamworld and WhiteWater World land and buildings, major rides and attractions and other plant and equipment (including construction work in progress of $24.7 million, intangible assets of $0.5 million (26 June 2018: $0.8 million) and livestock of $0.2 million (26 June 2018: $0.2 million)) is $95.1 million (26 June 2018: $78.5 million). Having regard to independent advice at 25 December 2018 by Jones Lang LaSalle, the Directors have assessed the fair value of land and buildings and major rides and attractions to be $53.6 million. All other plant and equipment are carried at depreciated historic cost of $41.5 million. Refer to additional Theme Parks valuation information below.

(2) The excess land adjacent to Dreamworld has been independently valued by Jones Lang LaSalle at 25 December 2018 at $5.2 million. The Directors have assessed the fair value to be $5.2 million (26 June 2018: $3.6 million).

(3) In an independent valuation performed at 25 December 2018 by Jones Lang LaSalle, the fair value for SkyPoint was assessed to be $32.0 million. The Directors have assessed the fair value of SkyPoint at 25 December 2018 to be $32.0 million.

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

	December 2018 $'000	June 2018 $'000
Carrying amount at the beginning of the period	455,668	636,440
Additions	37,021	112,052
Disposal relating to the sale of Bowling & Entertainment	-	(127,171)
Transferred from inventories	767	-
Disposals	(148)	(11,033)
Depreciation	(22,154)	(52,519)
Foreign exchange movements	16,537	12,939
Revaluation decrements	-	(75,753)
Impairment	-	(39,287)
Carrying amount at the end of the period	**487,691**	**455,668**

5. Property, plant and equipment (continued)

(a) Theme Parks valuation

The tragic incident which occurred on the Thunder River Rapids ride at Dreamworld in October 2016 and subsequent coronial inquiry continues to negatively impact attendance and revenues in the current period, with recovery being slower than expected. In the prior two years, the Group has recognised revaluation decrements to the property, plant and equipment of Dreamworld and WhiteWater World of $167.7 million and a further impairment provision of $1.0 million.

At 25 December 2018, the valuation of Dreamworld and WhiteWater World land, buildings and major rides and attractions has been determined in accordance with AASB 13 *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants. This Standard requires that the valuation take account of the benefits attainable under the highest and best use, provided that any alternate uses are physically possible, legally permissible and financially feasible. Under the Standard, uses that are legally permissible take into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning restrictions applicable to a property).

At 25 December 2018, the Group has obtained independent advice from Jones Lang LaSalle to assist in determining a Directors' valuation of the property. The valuer has considered the work undertaken in the prior year (as set out in the financial report for the year ended 26 June 2018) and reviewed management's updated forecasts in light of the park's performance and market conditions.

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

	December 2018	June 2018
Capitalisation rate	11.50%	11.50%
Discount rate	14.00% - 14.50%	14.00% - 14.50%
Terminal yield	11.50% - 12.00%	11.50% - 12.00%
10 Year average annual EBITDA ($'000)	17,768	18,528
10 Year average annual capital expenditure ($'000)	7,897	8,340

In addition, the valuation assumes a gradual recovery of attendances to FY16 (pre-incident) levels over the next eight years, with year one attendances estimated to be approximately 76% of FY16 levels.

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

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

	Capitalisation rate (%)	Discount rate (%)	Terminal yield (%)	Attendance levels
Fair value measurement sensitivity to 0.5% increase in rate	- $2.4 million	- $2.8 million	- $1.6 million	N/A
Fair value measurement sensitivity to 0.5% decrease in rate	+ $2.6 million	+ $3.0 million	+ $1.7 million	N/A
Fair value measurement sensitivity to 10.0% increase in assumed attendance levels	N/A	N/A	N/A	+ $35.1 million
Fair value measurement sensitivity to 10.0% decrease in assumed attendance levels	N/A	N/A	N/A	- $25.5 million

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

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

6. Intangible assets

	December 2018 $'000	June 2018 $'000
Goodwill at cost	71,970	69,321
Accumulated impairment charge	(12,880)	(12,880)
	59,090	**56,441**
Software at cost	22,739	20,950
Accumulated amortisation	(8,900)	(7,116)
	13,839	**13,834**
Total intangible assets	**72,929**	**70,275**

	December 2018 $'000	June 2018 $'000
Goodwill		
Opening net book amount	56,441	82,971
Disposals	-	(24,787)
Impairment	-	(3,583)
Foreign exchange movements	2,649	1,840
Closing net book amount	**59,090**	**56,441**
Software		
Opening net book amount	13,834	13,616
Additions	1,489	5,764
Disposals	(315)	(1,391)
Impairment	-	(1,188)
Amortisation	(1,784)	(3,363)
Foreign exchange movements	615	396
Closing net book amount	**13,839**	**13,834**
Total intangible assets	**72,929**	**70,275**

Detailed impairment testing was performed at 26 June 2018 for goodwill. Refer to Note 12(b) to the financial statements for the year ended 26 June 2018 for further details of the key assumptions used in this testing and sensitivity analysis for each of the business segments.

7. Construction in progress

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

At 25 December 2018, the Group had agreements for construction of two Main Event Centres. These agreements set out agreed construction timetables, estimated costs and other key terms, including the right of the third party to exercise a put option and recover deposits advanced to the Group should construction not be completed within agreed timeframes. At 25 December 2018, construction on these two centres was completed.

7. Construction in progress (continued)

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

	December 2018 $'000	June 2018 $'000
Construction in progress inventories		
Carrying amount at the beginning of the period	24,239	56,756
Additions	8,494	11,352
Disposals	(13,510)	(44,568)
Foreign exchange movements	1,261	699
Carrying amount at the end of the period	**20,484**	**24,239**

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

	December 2018 $'000	June 2018 $'000
Construction in progress deposits		
Carrying amount at the beginning of the period	22,397	50,050
Deposits received	6,358	16,251
Settlements of deposits received	(13,510)	(44,568)
Foreign exchange movements	1,084	664
Carrying amount at the end of the period	**16,329**	**22,397**

8. Derivative financial instruments

	December 2018 $'000	June 2018 $'000
Current assets		
Forward foreign exchange contracts	20	-
Interest rate swaps	466	748
	486	**748**
Non-current liabilities		
Interest rate swaps	71	28
	71	**28**

(a) Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy US dollars and sell Australian dollars. These contracts total A$0.8 million (26 June 2018: A$0.4 million).

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

8. Derivative financial instruments (continued)

(b) Interest rate swaps

The Group has entered into interest rate swap agreements totalling A$8.0 million (26 June 2018: $8.0 million) and US$48.0 million (A$64.7 million) (26 June 2018: US$48.0 million (A$64.7 million)) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal and oblige it to pay interest at a fixed rate. The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The interest rate swap agreements do not qualify for hedge accounting. Accordingly, changes in fair value of these swaps are recorded in the Income Statement. Notwithstanding the accounting outcome, the Group considers that these derivative contracts are appropriate and effective in offsetting the economic interest rate exposures of the Group.

9. Dividends and distributions paid and payable

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

	Dividend cents per share	Distribution cents per security	Total amount $'000
2018 dividends/distributions for the half year ended:			
25 December 2018[1]	-	-	-
26 June 2018	-	6.50	30,637
	-	**6.50**	**30,637**
2017 dividends/distributions for the half year ended:			
26 December 2017[2]	-	2.00	9,397
30 June 2017	-	1.00	4,691
	-	**3.00**	**14,088**

(1) No dividend has been paid or declared for the period ended 25 December 2018.
(2) The distribution of 2.00 cents per security for the period ended 26 December 2017 was not declared prior to 26 December 2017.

10. (Losses)/earnings per share/security

	December 2018	December 2017
Basic losses per share/security (cents) from continuing operations	(4.52)	(4.77)
Basic (losses)/earnings per share/security (cents) from discontinued operations	(0.06)	1.43
Total basic losses per share/security (cents)	**(4.58)**	**(3.34)**
Diluted losses per share/security (cents) from continuing operations	(4.52)	(4.76)
Diluted (losses)/earnings per share/security (cents) from discontinued operations	(0.06)	1.43
Total diluted losses per share/security (cents)	**(4.58)**	**(3.33)**
Losses used in the calculation of basic and diluted earnings per share/security ($'000)	(21,815)	(15,644)
Weighted average number of securities on issue used in the calculation of basic earnings per share/security ('000)	476,420	468,832
Weighted average number of shares/securities held by employees under employee equity plans ('000)	466	504
Weighted average number of shares/securities on issue used in the calculation of diluted earnings per share/security ('000)	476,886	469,336

11. Contributed equity

No. of securities/ shares	Details	Date of income entitlement	Note	December 2018 $'000	June 2018 $'000
469,153,284	Securities on issue	30 Jun 2017			662,450
1,510,100	DRP issue	1 Jul 2017	(a)		2,987
681,149	Equity-based payments - securities issued	1 Jul 2017	(b)		1,313
-	Issue costs paid				(19)
471,344,533	Securities on issue	26 Jun 2018		666,731	666,731
8,361,483	DRP issue	1 Jul 2018	(a)	16,332	
-	Equity-based payments - securities issued	1 Jul 2018	(b)	-	
-	Impact of corporate restructure	24 Dec 2018	(c)	94,091	
-	Issue costs paid			(30)	
479,706,016	**Shares/securities on issue**	**25 Dec 2018**		**777,124**	**666,731**

(a) Dividend/Distribution Reinvestment Plan (DRP) issues

The Group has established a DRP under which shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of new shares rather than being paid in cash. The discount available on shares issued under the DRP is 2.0% on the market price.

(b) Equity-based payments

The Group has Deferred Short Term Incentive Plan (DSTI) and Long Term Incentive Plan (LTIP) remuneration arrangements under which performance rights are issued to certain management and other personnel within the Group as part of their remuneration arrangements. These performance rights are subject to vesting conditions as set out in the 26 June 2018 annual report. Upon vesting, the Group issues shares to these personnel.

(c) Impact of corporate restructure

Refer to Note 12.

12. Reserves

	December 2018 $'000	June 2018 $'000
Asset revaluation reserve		
Opening balance	15,499	16,221
Revaluation - Australian Theme Parks	-	(722)
Closing balance	**15,499**	**15,499**
Cash flow hedge reserve		
Opening balance	-	(903)
Movement in effective cash flow hedges	-	835
Tax on movement on US cash flow hedges	-	68
Closing balance	**-**	**-**
Foreign currency translation reserve		
Opening balance	(22,856)	(36,376)
Translation of foreign operations	15,642	13,520
Closing balance	**(7,214)**	**(22,856)**
Security-based payment reserve		
Opening balance	(6,889)	(5,803)
Option expense	(574)	(1,086)
Closing balance	**(7,463)**	**(6,889)**
Corporate restructure reserve		
Opening balance	-	-
Impact of corporate restructure	(94,091)	-
Closing balance	**(94,091)**	**-**
Total reserves	**(93,269)**	**(14,246)**

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

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity.

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

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

Under the corporate restructure Ardent Leisure Group Limited shares were issued to securityholders in return for their stapled securities. Ardent Leisure Group Limited share capital was measured at fair value on the date of the transaction, being the market capitalisation of the Ardent Leisure Stapled Group on the date of implementation ($777.1 million). The difference between the contributed equity of Ardent Leisure Group Limited and the pre-restructure contributed equity of the Ardent Leisure Stapled Group at the date of the transaction was recognised as a corporate restructure reserve.

13. Accumulated losses

	Note	December 2018 $'000	December 2017 $'000
Opening balance		(206,962)	(102,205)
Loss for the half year		(21,815)	(15,644)
Available for distribution		(228,777)	(117,849)
Impact of change in accounting standard	3	(1,401)	-
Distributions received from treasury shares		42	8
Distributions paid and payable		(30,637)	(4,691)
Closing balance		**(260,773)**	**(122,532)**

14. Interest bearing liabilities

	December 2018 $'000	June 2018 $'000
Current		
Bank loan - term debt	97,568	-
Total current	**97,568**	**-**
Non-current		
Bank loan - term debt	-	27,849
Total non-current	**-**	**27,849**
Total interest bearing liabilities	**97,568**	**27,849**

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

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

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

Term debt has been classified as current liabilities due to this having a maturity date of 10 August 2019 as at the reporting date. As disclosed in Note 21, in February 2019 the Group obtained lender consent to extend the maturity of this debt to 28 February 2020 pending finalisation of US debt refinancing.

14. Interest bearing liabilities (continued)

Credit facilities

As at 25 December 2018, the Group had unrestricted access to the following credit facilities:

	December 2018 $'000	June 2018 $'000
A$ syndicated facilities	42,968	66,667
Amount used	(41,800)	(5,600)
Amount unused	**1,168**	**61,067**
US$ syndicated facilities	69,527	102,769
Amount used	(55,768)	(22,249)
Amount unused	**13,759**	**80,520**
Total facilities	112,495	169,436
Total amount used	(97,568)	(27,849)
Total amount unused	**14,927**	**141,587**

The Group has access to A$43.0 million syndicated facilities which will mature on 10 August 2019, and US$49.1 million (A$69.5 million) syndicated facilities which will mature on 10 August 2019. The reduction in the capacity of the available facilities from 26 June 2018 of A$23.7 million and US$27.1 million (A$33.2 million) was agreed to as part of obtaining lender consent for the corporate restructure.

All of the facilities have a variable interest rate. As detailed in Note 8, the interest rates on the loans are partially fixed using interest rate swaps. The weighted average interest rates payable on the loans at 25 December 2018, including the impact of the interest rate swaps, is 4.20% per annum for AUD denominated debt (26 June 2018: 4.64% per annum) and 3.15% per annum for USD denominated debt (26 June 2018: 2.07% per annum).

15. Net tangible assets

	December 2018 $'000	June 2018 $'000
Net tangible assets are calculated as follows:		
Total assets	653,501	621,128
Less: Intangible assets	(72,929)	(70,275)
Less: Total liabilities	(230,745)	(177,010)
Net tangible assets	**349,827**	**373,843**
Total number of shares/securities on issue	479,706,016	471,344,533
Net tangible asset backing per share/security	$0.73	$0.79

16. Discontinued operations

(a) Overview

In the prior year, the Group completed the sale of the Bowling & Entertainment business on 30 April 2018, for a sale price of $160.0 million, resulting in a gain in the period of $20.3 million net of selling costs. The Bowling & Entertainment business, previously a reportable segment, comprised 43 bowling centres and seven amusement arcades located in Australia and one bowling centre located in New Zealand.

In the prior year, the Group also completed the sale of the Marinas business on 14 August 2017, for a sale price of $126.0 million, resulting in a gain in the period of $4.7 million net of selling costs. The Marinas business, previously a reportable segment, comprised seven marinas across New South Wales and Victoria.

(b) Financial performance

The financial performance for the half year ended 25 December 2018 was as follows:

	December 2018 $'000	December 2017 $'000
Revenue	-	75,113
Expenses	-	(71,644)
Profit before income tax	**-**	**3,469**
Income tax benefit	-	153
Profit after income tax of discontinued operations	**-**	**3,622**
Gain on sale of the Marinas business after tax	-	4,678
Selling costs associated with the sale of the Marinas	(8)	-
Selling costs associated with the sale of the Health Clubs	(7)	(95)
Selling costs associated with the sale of the Bowling & Entertainment	(269)	(1,491)
(Loss)/profit from discontinued operations after tax	**(284)**	**6,714**

(c) Cash flow information

The cash flows for the period ended 25 December 2018 were as follows:

	December 2018 $'000	December 2017 $'000
Net cash inflow from operating activities	-	15,061
Net cash (outflow)/inflow from investing activities	(284)	103,555
Net cash inflow from financing activities	-	6,385
Net (decrease)/increase in cash generated by the discontinued operations	**(284)**	**125,001**

The net cash inflow from investing activities for the Consolidated Group in the period to 26 December 2017 included an inflow, net of selling costs, of $123.1 million from the disposal of the Marinas business.

16. Discontinued operations (continued)

(d) Details of the sale of the Marinas business

Gain on sale

	December 2018 $'000	December 2017 $'000
Consideration received or receivable		
Base consideration	-	126,000
Cash adjustment for working capital adjustments	-	(2,917)
Total disposal consideration	**-**	**123,083**
Selling costs	(8)	(1,756)
Carrying amount of net assets sold	-	(116,649)
(Loss)/gain on sale before income tax	**(8)**	**4,678**
Income tax expense on gain	-	-
(Loss)/gain on sale after income tax	**(8)**	**4,678**

Carrying value of assets on sale

The carrying amounts of assets and liabilities as at the 14 August 2017 date of sale were:

	14 August 2017 $'000
Cash and cash equivalents	3
Receivables	1,132
Inventories	143
Property, plant and equipment	118,613
Other	693
Total assets	**120,584**
Payables	(3,864)
Provisions	(71)
Total liabilities	**(3,935)**
Net assets	**116,649**

17. Fair value measurement of financial instruments

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

17. Fair value measurement of financial instruments (continued)

(a) Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities on a recurring basis:

December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value:				
Investments held at fair value	-	-	2,811	2,811
Derivative financial instruments	-	486	-	486
Liabilities measured at fair value:				
Derivative financial liabilities	-	71	-	71

June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value:				
Investments held at fair value	-	-	2,811	2,811
Derivative financial instruments	-	748	-	748
Liabilities measured at fair value:				
Derivative financial instruments	-	28	-	28

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 25 December 2018.

(b) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (e.g. over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance date.

All of the resulting fair value estimates are included in level 2 except for an investment in an unlisted entity which is included in level 3.

(c) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 instruments for the half year ended 25 December 2018:

	December 2018 $'000	June 2018 $'000
Opening balance	2,811	3,201
Impairment	-	(390)
Closing balance	**2,811**	**2,811**

18. Related party disclosures

There were no new material related party transactions in the half year to 25 December 2018. The financial report for the year ended 26 June 2018 provides further details on the nature of previous related party transactions.

19. Contingent liabilities

On 25 October 2016, an incident occurred on the Thunder River Rapids ride at Dreamworld resulting in four fatalities at the Theme Park. The incident has been investigated by the Queensland Police Service and Workplace Health and Safety Queensland (WHSQ). A coronial inquest took place over several hearings throughout 2018 and has now concluded. The coroner's findings and recommendations are expected to be handed down later in 2019.

Ardent Leisure Limited, as operator of Dreamworld, expects to be subjected to prosecution action by WHSQ, however formal proceedings have not been instigated against Ardent Leisure Limited as at the date of release of these accounts. Until such time as proceedings are commenced, it is too premature to provide any meaningful or reliable estimate of the quantum or timing of potential pecuniary penalties. A number of civil claims by families and other affected persons have been made against Ardent Leisure Limited and are being dealt with by the company's liability insurer. Ardent Leisure Limited maintains appropriate insurances to respond to all such litigation and regulatory action and associated costs.

Unless otherwise disclosed in the financial statements, the Group has no other material contingent liabilities.

20. Summary of significant accounting policies

New accounting standards, amendments and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 1 January 2019 but which the Group has not yet adopted. The Group's assessment of the impact of those new standards, amendments and interpretations which may have an impact is set out below:

AASB 16 *Leases* (effective from 1 January 2019)

The Australian Accounting Standards Board (AASB) has issued a new Standard for leases which applies to accounting periods commencing on or after 1 January 2019. Given the number of properties the Group leases under operating leases, it is expected that the impact of this Standard will be significant. Specifically, new assets will be recognised (the right to use the leased asset) as well as new liabilities, being the liability to pay rentals. The consolidated Statement of Comprehensive Income will also be affected. The Group is in the process of conducting a detailed assessment of the new Standard which will be first applied in the annual reporting period ending June 2020.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date.

21. Events occurring after reporting date

In February 2019, the Group obtained lender consent to extend the maturity of its current syndicated debt facilities to 28 February 2020 while the Company is in the process of finalising its US debt refinancing.

Since the end of the financial period, the Directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report or the Directors' report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial periods subsequent to the half year ended 25 December 2018.

Directors' declaration

In the opinion of the Directors of Ardent Leisure Group Limited:

(a) The interim financial statements and notes of Ardent Leisure Group Limited and its controlled entities, set out on pages 8 to 31 are in accordance with the *Corporations Act 2001*, including:

    (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    (ii) giving a true and fair view of Ardent Leisure Group Limited's financial position as at 25 December 2018 and of its performance, as represented by the results of its operations, its changes in equity and its cash flows, for the financial period ended on that date; and

(b) There are reasonable grounds to believe that Ardent Leisure Group Limited will be able to pay its debts as and when they become due and payable.

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

Gary Weiss
Chairman

Toni Korsanos
Director

Sydney
21 February 2019

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Independent Auditor's Review Report to the Shareholders of Ardent Leisure Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Ardent Leisure Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 25 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at [period date] and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 25 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

John Robinson
Partner
Sydney
21 February 2019