EVENT HOSPITALITY & ENTERTAINMENT LIMITED

ABN: 51 000 005 103

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

(INCLUDING ADDITIONAL APPENDIX 4E DISCLOSURES)

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INTERNET

These results will be available on the internet at www.evt.com under the Investor Centre menu.

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APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019
RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to the year ended 30 June 2018)

				2019 A$'000	2018 A$'000
Revenue and other income from continuing operations	Up	2.8%	to	1,009,309	982,283
Revenue and other income from discontinued operations	Down	4.1%	to	294,979	307,455
Total revenues and other income	**Up**	**1.1%**	**to**	**1,304,288**	**1,289,738**
Profit from continuing operations before individually significant items, net finance costs and income tax	**Down**	**6.7%**	**to**	**158,945**	**170,352**
Net finance costs from continuing operations				(9,355)	(5,874)
Profit from continuing operations before individually significant items and income tax expense	**Down**	**9.1%**	**to**	**149,590**	**164,478**
Individually significant items from continuing operations				(502)	(14,568)
Profit from continuing operations before income tax expense	**Down**	**0.5%**	**to**	**149,088**	**149,910**
Discontinued operations profit before income tax				8,934	15,631
Profit before income tax expense	**Down**	**4.5%**	**to**	**158,022**	**165,541**
Income tax expense from continuing operations				(42,009)	(48,451)
Income tax expense from discontinued operations				(4,124)	(5,180)
Profit for the year attributable to members of the parent entity				**111,889**	**111,910**

Dividends		Amount per security	Franked amount per security
Final dividend	- Current year	31.0 ¢	31.0 ¢
	- Previous corresponding period	31.0 ¢	31.0 ¢
Interim dividend	- Current year	21.0 ¢	21.0 ¢
	- Previous corresponding period	21.0 ¢	21.0 ¢
Total dividend (interim and final):			
	- Current year	52.0 ¢	52.0 ¢
	- Previous corresponding period	52.0 ¢	52.0 ¢

Record date for determining entitlements to the dividend: 5 September 2019

For an explanation of the figures reported refer to commentary on results.

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

1. Comments by Directors

See commentary attached to this report.

2. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$6.44	$6.14

3. Annual Meeting

The annual meeting will be held as follows:

Place:	**Event Cinemas 505-525 George Street Sydney NSW 2000**
Date:	**18 October 2019**
Time:	**10:00 am Sydney time**
Approximate date the annual report will be available:	**13 September 2019**

4. Dividend Re-Investment Plan

The Dividend Reinvestment Plan ("DRP") was suspended in August 2010 and will not operate for the 2019 final dividend.

5. Compliance statement

The report is based on accounts which have been subject to audit.

The information presented below is the Operating and Financial Review, which forms part of the 2019 Directors Report

OPERATING AND FINANCIAL REVIEW

Overview of the Group

Reported net profit after discontinued operations was $111,889,000 (2018: $111,910,000), $21,000 below the prior year result. The normalised result before interest and income tax expense from continuing operations was $158,945,000 (2018: $170,352,000), a decrease of $11,407,000 or 6.7% and the normalised result after tax from continuing operations was $104,271,000 (2018: $111,657,000), a decrease of $7,386,000 or 6.6% below the prior year result. A summary of the normalised result is outlined below:

	2019		2018		2017	
	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	60,198	60,198	68,600	68,600	78,957	78,957
New Zealand	10,015	10,015	11,150	11,150	10,787	10,787
Hospitality and Leisure						
Hotels and Resorts	69,502	69,502	69,270	69,270	52,734	52,734
Thredbo Alpine Resort	25,017	25,017	21,838	21,838	18,187	18,187
Property and Other Investments	13,436	13,436	16,528	16,528	9,343	9,343
Unallocated revenue and expenses	(19,223)	(19,223)	(17,034)	(17,034)	(22,322)	(22,322)
	158,945	158,945	170,352	170,352	147,686	147,686
Finance revenue	527	527	528	528	488	488
Finance costs	(9,882)	(9,882)	(6,402)	(6,402)	(8,979)	(8,979)
	149,590	149,590	164,478	164,478	139,195	139,195
Income tax expense	(45,319)	(45,319)	(52,821)	(52,821)	(40,275)	(40,275)
Profit from continuing operations	104,271	104,271	111,657	111,657	98,920	98,920
Individually significant items – net of tax		2,808		(10,198)		(6,494)
Discontinued operations – net of tax		4,810		10,451		18,393
Profit for the year		111,889		111,910		110,819

* 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:

	2019	2018	2017	2016	2015
Total revenue and other income ($'000)	1,304,288	1,289,738	1,294,269	1,280,889	1,174,662
Basic earnings per share (cents)	69.6	69.8	69.6	82.2	68.9
Dividends declared[(a)] ($'000)	83,822	83,670	81,886	81,886	85,097
Dividends per share (cents)	52	52	51	51	45
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.

Discontinued operation – CineStar Germany

On 22 October 2018, the sale of the German cinema exhibition operation to Vue International Bidco plc, subject to Federal Cartel Office "FCO") approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation. The sale includes a completion payment of €130 million (A$206 million) and variable consideration of up to €81.8 million (A$130 million) depending on German market admissions for the 2019 calendar year and up to a further €10 million (A$16 million) subject to the satisfaction of other agreed conditions. The variable consideration is based on German market admissions in the 2019 calendar year reaching a minimum of 105 million with the full consideration paid at 115 million admissions. The FCO review is in progress. This operation was not a discontinued operation at the end of the prior year (30 June 2018) and the comparative Income Statement for the year to 30 June 2018 has been re-presented to show the discontinued operation separately from continuing operations.

Individually significant items

Individually significant items comprised the following:

	2019 $'000	2018 $'000
Reversal of impairment charges booked in previous years	9,809	–
Impairment charges	–	(15,454)
Redundancies and restructure costs	(3,869)	(1,698)
Hotel and cinema pre-opening costs	(3,473)	(1,293)
Legal and other costs associated with the sale of a business segment	(1,775)	–
Other (expense)/income	(1,194)	3,877
Individually significant items expense before income tax	(502)	(14,568)
Income tax benefit	3,310	4,370
Individually significant items income/(expense) after income tax	2,808	(10,198)

Investments

The Group acquired property, plant and equipment totalling $118,482,000 during the year. The significant acquisitions and capital additions include the following:

- QT Perth and Atura Adelaide Airport hotel developments;
- cinema developments at Coomera (QLD), Kawana (QLD) and Tauranga Crossing (NZ); 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 2019, and the revised total value of the Group's interest in land and buildings, excluding investment properties, based on these independent valuations is $1,947,644,000 (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 2019 was $1,073,567,000. The total value of the investment properties at 30 June 2019 was $76,200,000.

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Capital structure
Cash and term deposits at 30 June 2019 totalled $71,925,000 and total bank debt outstanding was $376,909,000.

Treasury policy
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. At 30 June 2019, the Group had no interest rate hedges (2018: no interest rate hedges).

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 decreased to $171,369,000 from $207,749,000 recorded in the prior comparable year. This movement was driven by an increase in cash payments made in the ordinary course of operations from the Group's major operating businesses. A review of operations by division is set out below.

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	2019	2018	Movement
Cinema locations*	75	77	(2)
Cinema screens*	701	703	(2)

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

Australian Entertainment revenue was relatively flat with prior year at $451.2 million (-0.6%). This result was achieved despite a less desirable genre mix of films for our audience. Within the top 50 films, there was a lack of blockbuster and action adventure films during the year (-$121 million nationwide box office) with the line-up skewed toward more adult dramas (+$64.9 million nationwide box office) and family films (+$96 million nationwide box office). Pleasingly, the Group achieved market share growth on blockbusters (+0.5 percentage points) and whilst we typically attract a lower market share on family films, the Group managed to grow market share for this segment by 1.2 percentage points. Despite the genre challenge, overall market share for the Group remained relatively stable in the second half of the year.

The titles that grossed over $30 million at the Australian box office during the period included: *Avengers: Endgame* ($83.9 million); *Bohemian Rhapsody* ($55.0 million); *Aquaman* ($41.7 million); *Captain Marvel* ($41.6 million); *A Star Is Born* ($36.5 million); and *Aladdin* ($30.9 million). The top 20 films nationwide (representing 48% of box office) grossed $576 million, $6.7 million below the top 20 films in the prior year which grossed $583 million. However, the balance of the 2019 slate was up 4.7% on prior year.

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Average admission price increased 3% as a result of targeted demand pricing. In addition, more customers chose to see a film in one of the Group's premium cinemas – up 2% on prior year and up 5% in the second half. Given the increased number of family films during the year, attracting a more price sensitive market, this was a pleasing result.

Merchandising spend per customer increased as a result of: new merchandising layouts; the introduction of premium brand Parlour Lane popcorn and choc tops; eCommerce enhancements; and new family targeted offers. As a result, the Group experienced five record months of merchandising spend during the second half of the year.

Strong growth in online revenue continued over the prior period up 16% year on year. Importantly, the power of the Group's direct customer relationships continues to grow with almost 2.2 million active CineBuzz members. CineBuzz members accounted for 67% of total admissions for the year. The Group continues to explore new ways to leverage and monetise this valuable asset.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was $89,463,000, 6.6% below the prior year. Adjusting for the impact of the new revenue accounting standard AASB 15 and the decline in screen advertising revenue, EBITDA was 3.5% below the prior year. The normalised profit before interest and income tax expense was $60,198,000, 12.2% below the prior comparable year. The adoption of AASB 15 changed the measurement of loyalty points and the timing that unredeemed or expired vouchers can be recognised. Whilst this is only a timing difference, without this impact the overall decrease to normalised profit was 10.7%.

Excluding the adoption of AASB 15, Australian cinema earnings were impacted a couple of key factors: a decrease in screen advertising earnings, and increases in rent and depreciation. The decrease in screen advertising earnings of $1.7 million, reflected weakness in the broader cinema advertising market. The increase in rent ($5.0 million) and depreciation ($0.6 million) principally related to previously committed new cinema openings, of which some are taking longer than expected to mature. However, performance is expected to improve going forward. It is pleasing to highlight that Event Cinemas Kawana (opened November 2018) delivered a positive result in the first month of operation and incorporates our new cinema concepts.

The past 12 months have focussed on the development of new innovative cinema experiences as part of the Group's 'Future of Cinema' strategy. Innovating upon global best practice, a series of concepts have been developed, implemented at select sites and validated via customer research. These exciting new cinema experiences have been endorsed by customers as something they would 'pay more for'. Whilst this portfolio of growth concepts will continue to evolve, these new experiences will be integrated into the targeted cinema upgrade program. Over the next three years, the Group aims to upgrade the best locations. These concepts include:

- new eCommerce functionality and technology to capture customer data, grow eCommerce revenue and streamline operations;
- enhanced food and beverage Marketplaces designed to increase customer spend via optimised flows, proprietary premium brands and driving an increase in impulse purchases; and
- new premium cinema experiences founded on the principle of 'Your Cinema, Your Way' enabling customers to choose their experience and price point. This includes: the new three-seat format of daybeds, reclining seats and premium fixed back seating; Boutique Cinemas (the next level of Gold Class) with premium designer recliners and configurable spaces for events; and 4DX, the first and leading 4D movie technology in the world.

Further screen upgrades to commence at priority locations in the next financial year will include Macquarie, Chermside, Robina, Tuggerah, Shellharbour and Toowoomba Central.

During the year, the Group opened two new cinemas. Whilst the cinema footprints had been pre-committed, these included some of the new concepts. The new Event Cinemas in Coomera (Gold Coast) include two Gold Class experiences, two new three-seat Vmax experiences and four premium seat traditional screens with daybeds, leveraging underutilised cinema space for a premium return. Kawana (Sunshine Coast) includes three enhanced Gold Class experiences, two new three-seat Vmax experiences and four premium seating traditional screens. Elements of the new marketplace design were also incorporated. Since opening, the new concepts have achieved an average admit price, occupancy and merchandising spend per head materially above the circuit average. Coomera, positioned in a growth corridor on the Gold Coast, is yet to

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mature at an admissions level but is trading favourably in comparison to forecast across key performance metrics. Kawana, as noted above, has made a positive impact from opening and is trading above expectations.

As noted above, due to the application of the new revenue standard (AASB 15) a change has been made to the measurement of loyalty points and the timing of breakage revenue recognition. Unredeemed and expired gift cards and vouchers were previously recognised at expiry, and under AASB 15, a portion of the estimated breakage is recognised before the gift cards and vouchers have actually expired. Whilst this is only a timing difference, there was a reduction in revenue from gift card and voucher breakage recognised during the year. The total impact of the adoption of AASB 15 in the year ended 30 June 2019 was a reduction in normalised profit of $1,094,000.

Entertainment – New Zealand

As at 30 June	2019	2018	Movement
Cinema locations *	20	19	1
Cinema screens *	135	129	6

* Managed and joint venture cinema sites.

New Zealand Entertainment revenue was $89.8 million or 5.3% above the prior year. New Zealand nationwide box office increased by 1.4% and the Group out-performed the market with box office revenue up 2.7%. Market share also increased by 0.59 percentage points on prior year; half of this share increase was related to the new site opening in Tauranga.

The five highest-grossing titles within the New Zealand market included: *Avengers: Endgame* (NZ$13.8 million), *Bohemian Rhapsody* (NZ$7.6 million); *Aquaman* (NZ$6.5 million); *Incredibles 2* (NZ$6.2 million) and *Mamma Mia: Here We Go Again!* (NZ$6.1 million). These five titles achieved a combined total of NZ$40.2 million compared to the top five titles in the prior year which collectively grossed NZ$38.2 million. The top 20 films nationwide (representing 49% of box office) grossed $94.3 million, $3.3 million ahead of the top 20 films in the prior year which grossed $91.0 million. However, the balance of the 2019 slate was 0.6% below the prior year. The Group also achieved strong growth in respect of world films (box office up 7%) and alternative content (box office up 55%).

Average admission price increased by 4.8% as a result of targeted demand-based variable pricing. Merchandising spend per head increased by 3.8%, driven by a very strong second half of the year with growth of 6.5%. This result benefited from a focus on the core product range, introduction of owned brand Parlour Lane, new family value deals and sales programs.

Similar to Australia, Cinebuzz continues to strengthen with a 47% growth in active membership year on year and now represents close to 50% of all transactions. Online booking fee revenue increased 21% over the prior year.

During the year the Group opened a six screen cinema in Tauranga. Whilst the footprint had been pre-committed, new concepts were incorporated with every auditorium having the new three-seat concept including daybeds, full recliners and standard seats. Tauranga is delivering results above expectations and as with Kawana in the Australian circuit, delivered a positive result within every month since opening and is tracking above expectations.

EBITDA was $15,575,000, 8.5% below the prior year. However, last year's result included insurance proceeds totalling $2,010,000 relating to the Queensgate cinema which was closed due to earthquake damage in 2016 and will reopen mid-2021. Adjusting for the impact of this item, the New Zealand division delivered a strong result with an increase in EBITDA of 3.8%. The normalised profit before interest and income tax expense of $10,015,000 was 10.2% below the prior year; however, adjusting for the impact of the Queensgate insurance proceeds received in the prior year, normalised profit increased by 9.6%.

Under construction and due to open in early 2020 is a new cinema complex in Newmarket, Auckland which will incorporate the Group's new Boutique premium cinema concept, two three-seat Vmax concept auditoriums and three traditional cinemas with two seating configurations. Upgrades are also underway in Auckland at Event Cinemas Queen Street and Westgate including new seating concepts and foyer area upgrades targeted for completion by December 2019. Event Cinemas in Albany and Manukau will each have two traditional cinemas converted to the new three-seat Vmax concept and these new auditoriums are due to open by December 2019.

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Discontinued operation – Entertainment Germany
As noted above, this division has been presented as a discontinued operation in the Income Statement for the year ended 30 June 2019.

The German market box office was €867 million, down €60 million (-6.5%) year on year. The primary impacts included the extended 2018 summer with record warm weather, the disruption caused by the FIFA World Cup, a comparative decrease in contribution from local German film content, down €30 million (-15%) on the prior year, and to a lesser extent a Hollywood line up that had less appeal for German audiences down 3% year on year. As a result, German market admissions fell by 5.5%. CineStar traded in line with the market. The decrease in admissions also impacted cinema advertising earnings, which were down 31.6%. Costs were well managed and all variable costs were flexed wherever possible to respond to the softening of the admission levels.

The highest-grossing titles within the German market included: *Avengers: Endgame* (5 million admissions); *Fantastic Beasts: The Crimes of Grindelwald* (3.7 million admissions); the German title *All About Me* (3.6 million admissions); *Bohemian Rhapsody* (3.5 million admissions); and *Hotel Transylvania 3: Summer Vacation* (2.5 million admissions).

The Group exited from cinemas at Kassel and Osnabrück during the year and two cinemas opened including the nine-screen cinema at Augsberg (opened 20 September 2018) and the five-screen cinema at Remscheid (opened 12 December 2018).

The reported net profit after income tax from Entertainment Germany was $4,810,000. Profit before interest, income tax expense and individually significant items was $9,463,000, a decrease of $10,455,000 or 52.5% below the prior year

HOSPITALITY AND LEISURE
Hotels and Resorts

As at 30 June	2019	2018	Movement
Locations *	62	55	7
Rooms *	10,001	8,975	1,026
Locations (owned)	27	26	1
Rooms (owned)	3,915	3,742	173

* Owned, managed and other hotels with which the Group has a branding and/or service agreement.

Overall Hotels revenue was $353.4 million, an increase of 4.9% on the prior year. This growth was primarily due to two new hotel openings including QT Perth (August 2018) and Atura Adelaide Airport (September 2018), growth in conference and event revenues and growth in food and beverage revenue. Fee income, from existing managed hotels and new management agreements, increased by 13.6%. This was a pleasing result in a very competitive market.

Across key Australian and New Zealand markets, the year was characterised by a record increase in supply of new rooms and less key events which slowed demand. Whilst record occupancy levels were not experienced, it was pleasing to see that there was a continued high level of demand for hotel rooms particularly in major markets such as Sydney, Melbourne and Queenstown which traded at occupancy levels of 86.3%, 84.7% and 81.8% respectively.

Despite a more competitive market with softer overall demand, the Group performed well. Occupancy in the Group's owned hotels (all brands) was in line with the comparable record period at 79.4% (-0.1 percentage point). Average room rate (all brands) had a marginal decline of 0.7% to $184. As a result, revenue per available room (revpar) was $146, down 0.8%. However, occupancy, average room rate and revpar in like-for-like hotels increased by 0.3%, 0.05% and 0.5% respectively which was a pleasing result.

Occupancy in the Group's owned Rydges hotels increased by 0.3% to 80.6%. Average room rate declined 1.8%, resulting in a revpar decline of 1.3% to $127. Pleasingly, adjusting for the partial closure of Rydges Queenstown (March 2019), revpar increased across the Group. Rydges is in a transitional period where we are in the process of upgrading key properties. The Group is advanced with plans to fully upgrade Rydges North Sydney, a key asset in a strong location, with the hotel expected to close for renovations at the end of the 2020 financial year. Rydges Melbourne food and beverage areas were upgraded this year and a soft refurbishment to rooms is planned in the 2020 financial year. Rydges Geelong upgrade works have commenced including ground floor and a soft upgrade of rooms due to be completed in November 2019.

Occupancy in the Group's Atura hotels increased by 3.4 percentage points, whilst revpar increased by 3.6%. This result was supported by the addition of Atura Adelaide Airport which is trading strongly and contributed positively to earnings in its first 10 months of trading.

The strength of the differentiated QT brand experience resulted in a strong performance across all QT hotels relative to market. Occupancy in the Group's like-for-like QT hotels increased by 0.4 percentage points to 81.1% and average room rate increased by 2.8% to $242, resulting in an increase in revpar of 3.3%. A 16-room extension to QT Wellington was completed in November 2018, and QT Sydney public areas and guest rooms were upgraded including the addition of a new food and beverage venue. New meeting room spaces were introduced at both QT Sydney and QT Melbourne, leveraging underutilised areas which is aligned with the Group's goal of maximising key assets.

Conference and events revenue for the Group's owned and managed hotels increased by 9.6% as a direct result of new strategies and programs across the Group whilst total food and beverage revenue increased by 6.3% across the Group. New eCommerce websites were developed and launched for Rydges and Atura in April 2019, achieving immediate improvements in conversion within the first few weeks. New operating systems to enhance revenue management were implemented, increasing the number to 17 hotels with this technology. A new rostering system was also implemented, resulting in payroll as a percentage of revenue remaining in line with prior year on a like-for-like basis and allowing for the Rydges Queenstown impact, a positive result considering annual pay increases for the award in both Australia (3.5%) and New Zealand (4.8% – April 2018 and 7.3% – April 2019).

Six new hotels under management and licence agreements joined the Group during the year. The hotels included Rydges Darwin Central, The Ultimo Sydney, All Suites Perth, Pensione Perth, Rydges Norwest (formally Novotel Norwest) and Rydges Wellington Airport. In addition, five new management and licence agreements have been signed for Rydges affiliate hotels in Armidale and Tamworth (joined the Group in July 2019), and QT hotels in Auckland (opening early 2020), QT Newcastle (opening late 2020) and QT Adelaide (opening mid 2021). This resulted in a record year for new hotel agreements for the Group.

EBITDA was $97,943,000, up $1,758,000 (1.8%) on prior year or up 3.6% adjusted for the closure of rooms at Rydges Queenstown. The normalised profit before interest and income tax expense was $69,502,000, 0.3% above the prior comparable record year or up 2.7% adjusting for the closure of Rydges Queenstown rooms. This record earnings result in a more competitive market reflects the strength of the Group's locations, successful brand differentiation strategy, eCommerce enhancements and investment in operating systems. Profit margin was impacted primarily by the closure of the east and west wings of Rydges Queenstown and early trading days for QT Perth. Rydges Queenstown closed 93 rooms contained in the east and west wings in order to bring forward development plans for this site and address seismic rating issues within these wings. This impacted earnings by approximately $1.5 million. QT Perth, whilst trading ahead of the most recent forecast, negatively contributed to the hotels result and is the primary reason for the decline in margin from the Group's hotel business. Adjusting for QT Perth, the overall Group margin improved by 1 percentage point.

Thredbo Alpine Resort

Thredbo revenue was $81,820,000, up 12.1% on the prior year following a strong 2018 snow season and continued growth in summer mountain biking revenues.

The 2018 snow season was consistent with good snowfall and snowmaking with lift pass revenue up 10.5% and a 2.8% increase in skier visits with yield improvement. Strong food and beverage revenues also contributed to overall growth.

Summer revenues continue to grow, underpinned by growth in mountain biking visitation with total summer revenue increasing by 7.8% over the prior year. The new Easy Street beginner's mountain biking trail was completed and opened for the 2018/19 summer season, further supporting this continued growth in mountain biking revenue.

EBITDA was $28,923,000, an increase of $3,218,000 or 12.5% above the prior comparable year, whilst the normalised profit before interest and income tax expense was $25,017,000, an increase of $3,179,000 or 14.6%.

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The profit for the year included $0.9 million associated with the sale of an undeveloped lot in Woodridge, Thredbo Village.

Development plans to increase capacity and continue to improve the skier experience are well advanced. During this season a soft upgrade to the Thredbo Alpine Hotel and outdoor venues has been completed. Development approval has been obtained for the replacement of Merritt's Chairlift with a high-speed detachable gondola in time for the 2020 ski season. The gondola will reduce guest ride times from 23 minutes to 6 minutes and increase capacity from 520 guests to 1,600 guests per hour, enhancing the guest experience and unlocking Merritt's Mountain House potential as an event destination. To further support summer mountain biking revenue, development approval has been obtained for the new High Noon Flow Trail which is due to open prior to Christmas 2019. Further future developments including a chairlift replacement plan, increased car parking, and improved and extended Friday Flat facilities are also in progress, subject to all necessary approvals.

PROPERTY AND OTHER INVESTMENTS

The normalised profit before interest and income tax expense was $13,436,000, a decrease of $3,092,000 below the prior comparable year. The result included a fair value increment of $1,931,000, versus the $5,750,000 increment in the prior year. The prior year included a significant uplift associated with the Forum Building and whilst the valuation of each of the Group's three investment properties increased in the year ended 30 June 2019, this increase was lower than in the prior year. Rental income increased 6.0%.

During the year, strong progress was made in regard to the two major development projects. The Concept Development Application for the proposed 525 George Street, Sydney development was lodged in July 2019 for a mixed-use development of up to 43 storeys to include a podium with prime ground floor retail space (830m^2) on George Street, a seven-screen cinema complex, and a tower including a new Atura hotel with approximately 450 rooms, a conference centre, and 72 residential apartments. Subject to market conditions, this development is expected to take five to seven years to complete.

The Concept Development Application for the proposed 458-472 George Street, Sydney development was lodged in August 2019 for a mixed-use development of up to 30 storeys to include a podium with prime ground floor retail space (340m^2) on George Street, an extension of the QT Sydney hotel with 72 additional rooms and conference centre, QT rooftop bar and a commercial office tower. Subject to market conditions, this development is expected to take four to six years to complete.

UNALLOCATED REVENUES AND EXPENSES

The unallocated revenues and expenses include the Group's corporate functions and various head office expenses and increased 12.8%. However, an incremental bonus expense was incurred during the year following the record result for the year ended 30 June 2018. Excluding the incremental bonus expenditure, unallocated revenue and expenses were relatively flat with the prior year, despite a negative impact from increased insurance premiums and associated costs of $510,000.

During the year, the Group invested in its compliance, risk management, facilities management and work health and safety functions to further enhance the management of these important areas and ensure that the Group remains ahead of requirements as they continue to evolve. Further details regarding the Group's management of work health and safety risk matters have been included in section 5.10 of the 2019 Corporate Governance Statement.

END

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

ABN 51 000 005 103

2019 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 2019 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 and Chief Executive Officer)
Director since 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*
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 chief executive officer 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; and
- director of Santos Limited (resigned 19 February 2018).

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 iiNet Limited.
Directorships
Positions held by Mr Grant during the last three years include:
- director of Murray Goulburn Co-operative Co. Limited (appointed 27 October 2017); and
- director of Retail Food Group Limited (appointed 25 September 2018).

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 was previously CEO of New Zealand Media and Entertainment (NZME) (2014 - 2016). Ms Hastings was appointed as the Group's Chief Operating Officer in 2016 and CEO in 2017.
Directorships
Ms Hastings was previously a New Zealand Film Commission board member.

Patria Mann *BEc, 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 qualified as a Chartered Accountant and was a former partner of KPMG. 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: ***AO*** Officer of 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; ***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.

CORPORATE GOVERNANCE

The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd edition. The Group has disclosed its 2019 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 2019 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**		**Other special purpose committee meetings**	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
AG Rydge	12	12	4	4	4	4	4	4
KG Chapman	12	12	–	–	–	–	–	–
PR Coates	12	12	–	–	–	–	4	4
VA Davies	12	12	–	–	–	–	–	–
DC Grant	12	12	4	4	4	4	4	4
JM Hastings [(a)]	12	12	4	4	4	4	4	4
PM Mann	12	12	4	4	4	4	–	–
RG Newton	12	12	–	–	–	–	–	–

(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.

(b) Other special purpose committees were formed during the year to assist the Board with the sale of the Entertainment Germany division (see page 7) and the sale of the Group's ordinary shares in Carlton Investments Limited (see page 26).

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.

On 22 October 2018, the sale of the German cinema exhibition operation to Vue International Bidco plc, subject to Federal Cartel Office ("FCO") approval, was announced; see page 7 for further details. There were no other significant changes in the nature of the activities of the Group during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 22 October 2018, the sale of the German cinema exhibition operation to Vue International Bidco plc, subject to FCO approval, was announced; see page 7 for further details. There were no other significant changes in the state of affairs of the Group during the year.

OPERATING AND FINANCIAL REVIEW

Overview of the Group

Reported net profit after discontinued operations was $111,889,000 (2018: $111,910,000), $21,000 below the prior year result. The normalised result before interest and income tax expense from continuing operations was $158,945,000 (2018: $170,352,000), a decrease of $11,407,000 or 6.7% and the normalised result after tax from continuing operations was $104,271,000 (2018: $111,657,000), a decrease of $7,386,000 or 6.6% below the prior year result.

Overview of the Group (continued)

A summary of the normalised result is outlined below:

	2019		2018		2017	
	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	60,198	60,198	68,600	68,600	78,957	78,957
New Zealand	10,015	10,015	11,150	11,150	10,787	10,787
Hospitality and Leisure						
Hotels and Resorts	69,502	69,502	69,270	69,270	52,734	52,734
Thredbo Alpine Resort	25,017	25,017	21,838	21,838	18,187	18,187
Property and Other Investments	13,436	13,436	16,528	16,528	9,343	9,343
Unallocated revenue and expenses	(19,223)	(19,223)	(17,034)	(17,034)	(22,322)	(22,322)
	158,945	158,945	170,352	170,352	147,686	147,686
Finance revenue	527	527	528	528	488	488
Finance costs	(9,882)	(9,882)	(6,402)	(6,402)	(8,979)	(8,979)
	149,590	149,590	164,478	164,478	139,195	139,195
Income tax expense	(45,319)	(45,319)	(52,821)	(52,821)	(40,275)	(40,275)
Profit from continuing operations	104,271	104,271	111,657	111,657	98,920	98,920
Individually significant items – net of tax		2,808		(10,198)		(6,494)
Discontinued operations – net of tax		4,810		10,451		18,393
Profit for the year		111,889		111,910		110,819

* 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:

	2019	2018	2017	2016	2015
Total revenue and other income ($'000)	1,304,288	1,289,738	1,294,269	1,280,889	1,174,662
Basic earnings per share (cents)	69.6	69.8	69.6	82.2	68.9
Dividends declared[(a)] ($'000)	83,822	83,670	81,886	81,886	85,097
Dividends per share (cents)	52	52	51	51	45
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.

Discontinued operation – CineStar Germany

On 22 October 2018, the sale of the German cinema exhibition operation to Vue International Bidco plc, subject to FCO approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation. The sale includes a completion payment of €130 million (A$206 million) and variable consideration of up to €81.8 million (A$130 million) depending on German market admissions for the 2019 calendar year and up to a further €10 million (A$16 million) subject to the satisfaction of other agreed conditions. The variable consideration is based on German market admissions in the 2019 calendar year reaching a minimum of 105 million with the full consideration paid at 115 million admissions. The FCO review is in progress. This operation was not a discontinued operation at the end of the prior year (30 June 2018) and the comparative Income Statement for the year to 30 June 2018 has been re-presented to show the discontinued operation separately from continuing operations.

Individually significant items

Individually significant items comprised the following:

	2019 $'000	2018 $'000
Reversal of impairment charges booked in previous years	9,809	–
Impairment charges	–	(15,454)
Redundancies and restructure costs	(3,869)	(1,698)
Hotel and cinema pre-opening costs	(3,473)	(1,293)
Legal and other costs associated with the sale of a business segment	(1,775)	–
Other (expense)/income	(1,194)	3,877
Individually significant items expense before income tax	(502)	(14,568)
Income tax benefit	3,310	4,370
Individually significant items income/(expense) after income tax	2,808	(10,198)

Investments

The Group acquired property, plant and equipment totalling $118,482,000 during the year. The significant acquisitions and capital additions include the following:

- QT Perth and Atura Adelaide Airport hotel developments;
- cinema developments at Coomera (QLD), Kawana (QLD) and Tauranga Crossing (NZ); 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 2019, and the revised total value of the Group's interest in land and buildings, excluding investment properties, based on these independent valuations is $1,947,644,000 (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 2019 was $1,073,567,000. The total value of the investment properties at 30 June 2019 was $76,200,000.

Capital structure

Cash and term deposits at 30 June 2019 totalled $71,925,000 and total bank debt outstanding was $376,909,000.

Treasury policy
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. At 30 June 2019, the Group had no interest rate hedges (2018: no interest rate hedges).

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 decreased to $171,369,000 from $207,749,000 recorded in the prior comparable year. This movement was driven by an increase in cash payments made in the ordinary course of operations from the Group's major operating businesses. A review of operations by division is set out below.

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	2019	2018	Movement
Cinema locations*	75	77	(2)
Cinema screens*	701	703	(2)

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

Australian Entertainment revenue was relatively flat with prior year at $451.2 million (-0.6%). This result was achieved despite a less desirable genre mix of films for our audience. Within the top 50 films, there was a lack of blockbuster and action adventure films during the year (-$121 million nationwide box office) with the line-up skewed toward more adult dramas (+$64.9 million nationwide box office) and family films (+$96 million nationwide box office). Pleasingly, the Group achieved market share growth on blockbusters (+0.5 percentage points) and whilst we typically attract a lower market share on family films, the Group managed to grow market share for this segment by 1.2 percentage points. Despite the genre challenge, overall market share for the Group remained relatively stable in the second half of the year.

The titles that grossed over $30 million at the Australian box office during the period included: *Avengers: Endgame* ($83.9 million); *Bohemian Rhapsody* ($55.0 million); *Aquaman* ($41.7 million); *Captain Marvel* ($41.6 million); *A Star Is Born* ($36.5 million); and *Aladdin* ($30.9 million). The top 20 films nationwide (representing 48% of box office) grossed $576 million, $6.7 million below the top 20 films in the prior year which grossed $583 million. However, the balance of the 2019 slate was up 4.7% on prior year.

Average admission price increased 3% as a result of targeted demand pricing. In addition, more customers chose to see a film in one of the Group's premium cinemas – up 2% on prior year and up 5% in the second half. Given the increased number of family films during the year, attracting a more price sensitive market, this was a pleasing result.

Merchandising spend per customer increased as a result of: new merchandising layouts; the introduction of premium brand Parlour Lane popcorn and choc tops; eCommerce enhancements; and new family targeted offers. As a result, the Group experienced five record months of merchandising spend during the second half of the year.

Strong growth in online revenue continued over the prior period up 16% year on year. Importantly, the power of the Group's direct customer relationships continues to grow with almost 2.2 million active CineBuzz members. CineBuzz members accounted for 67% of total admissions for the year. The Group continues to explore new ways to leverage and monetise this valuable asset.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was $89,463,000, 6.6% below the prior year. Adjusting for the impact of the new revenue accounting standard AASB 15 and the decline in screen advertising revenue, EBITDA was 3.5% below the prior year. The normalised profit before interest and income tax expense was $60,198,000, 12.2% below the prior comparable year. The adoption of AASB 15 changed the measurement of loyalty points and the timing that unredeemed or expired vouchers can be recognised. Whilst this is only a timing difference, without this impact the overall decrease to normalised profit was 10.7%.

Excluding the adoption of AASB 15, Australian cinema earnings were impacted a couple of key factors: a decrease in screen advertising earnings, and increases in rent and depreciation. The decrease in screen advertising earnings of $1.7 million, reflected weakness in the broader cinema advertising market. The increase in rent ($5.0 million) and depreciation ($0.6 million) principally related to previously committed new cinema openings, of which some are taking longer than expected to mature. However, performance is expected to improve going forward. It is pleasing to highlight that Event Cinemas Kawana (opened November 2018) delivered a positive result in the first month of operation and incorporates our new cinema concepts.

The past 12 months have focussed on the development of new innovative cinema experiences as part of the Group's 'Future of Cinema' strategy. Innovating upon global best practice, a series of concepts have been developed, implemented at select sites and validated via customer research. These exciting new cinema experiences have been endorsed by customers as something they would 'pay more for'. Whilst this portfolio of growth concepts will continue to evolve, these new experiences will be integrated into the targeted cinema upgrade program. Over the next three years, the Group aims to upgrade the best locations. These concepts include:

- new eCommerce functionality and technology to capture customer data, grow eCommerce revenue and streamline operations;
- enhanced food and beverage Marketplaces designed to increase customer spend via optimised flows, proprietary premium brands and driving an increase in impulse purchases; and
- new premium cinema experiences founded on the principle of 'Your Cinema, Your Way' enabling customers to choose their experience and price point. This includes: the new three-seat format of daybeds, reclining seats and premium fixed back seating; Boutique Cinemas (the next level of Gold Class) with premium designer recliners and configurable spaces for events; and 4DX, the first and leading 4D movie technology in the world.

Further screen upgrades to commence at priority locations in the next financial year will include Macquarie, Chermside, Robina, Tuggerah, Shellharbour and Toowoomba Central.

During the year, the Group opened two new cinemas. Whilst the cinema footprints had been pre-committed, these included some of the new concepts. The new Event Cinemas in Coomera (Gold Coast) include two Gold Class experiences, two new three-seat Vmax experiences and four premium seat traditional screens with daybeds, leveraging underutilised cinema space for a premium return. Kawana (Sunshine Coast) includes three enhanced Gold Class experiences, two new three-seat Vmax experiences and four premium seating traditional screens. Elements of the new marketplace design were also incorporated. Since opening, the new concepts have achieved an average admit price, occupancy and merchandising spend per head materially above the circuit average. Coomera, positioned in a growth corridor on the Gold Coast, is yet to mature at an admissions level but is trading favourably in comparison to forecast across key performance metrics. Kawana, as noted above, has made a positive impact from opening and is trading above expectations.

As noted above, due to the application of the new revenue standard (AASB 15) a change has been made to the measurement of loyalty points and the timing of breakage revenue recognition. Unredeemed and expired gift cards and vouchers were previously recognised at expiry, and under AASB 15, a portion of the estimated breakage is recognised before the gift cards and vouchers have actually expired. Whilst this is only a timing difference, there was a reduction in revenue from gift card and voucher breakage recognised during the year. The total impact of the adoption of AASB 15 in the year ended 30 June 2019 was a reduction in normalised profit of $1,094,000.

Entertainment – New Zealand

As at 30 June	2019	2018	Movement
Cinema locations *	20	19	1
Cinema screens *	135	129	6

* Managed and joint venture cinema sites.

New Zealand Entertainment revenue was $89.8 million or 5.3% above the prior year. New Zealand nationwide box office increased by 1.4% and the Group out-performed the market with box office revenue up 2.7%. Market share also increased by 0.59 percentage points on prior year; half of this share increase was related to the new site opening in Tauranga.

The five highest-grossing titles within the New Zealand market included: *Avengers: Endgame* (NZ$13.8 million), *Bohemian Rhapsody* (NZ$7.6 million); *Aquaman* (NZ$6.5 million); *Incredibles 2* (NZ$6.2 million) and *Mamma Mia: Here We Go Again!* (NZ$6.1 million). These five titles achieved a combined total of NZ$40.2 million compared to the top five titles in the prior year which collectively grossed NZ$38.2 million. The top 20 films nationwide (representing 49% of box office) grossed $94.3 million, $3.3 million ahead of the top 20 films in the prior year which grossed $91.0 million. However, the balance of the 2019 slate was 0.6% below the prior year. The Group also achieved strong growth in respect of world films (box office up 7%) and alternative content (box office up 55%).

Average admission price increased by 4.8% as a result of targeted demand-based variable pricing. Merchandising spend per head increased by 3.8%, driven by a very strong second half of the year with growth of 6.5%. This result benefited from a focus on the core product range, introduction of owned brand Parlour Lane, new family value deals and sales programs.

Similar to Australia, Cinebuzz continues to strengthen with a 47% growth in active membership year on year and now represents close to 50% of all transactions. Online booking fee revenue increased 21% over the prior year.

During the year the Group opened a six screen cinema in Tauranga. Whilst the footprint had been pre-committed, new concepts were incorporated with every auditorium having the new three-seat concept including daybeds, full recliners and standard seats. Tauranga is delivering results above expectations and as with Kawana in the Australian circuit, delivered a positive result within every month since opening and is tracking above expectations.

EBITDA was $15,575,000, 8.5% below the prior year. However, last year's result included insurance proceeds totalling $2,010,000 relating to the Queensgate cinema which was closed due to earthquake damage in 2016 and will reopen mid-2021. Adjusting for the impact of this item, the New Zealand division delivered a strong result with an increase in EBITDA of 3.8%. The normalised profit before interest and income tax expense of $10,015,000 was 10.2% below the prior year; however, adjusting for the impact of the Queensgate insurance proceeds received in the prior year, normalised profit increased by 9.6%.

Under construction and due to open in early 2020 is a new cinema complex in Newmarket, Auckland which will incorporate the Group's new Boutique premium cinema concept, two three-seat Vmax concept auditoriums and three traditional cinemas with two seating configurations. Upgrades are also underway in Auckland at Event Cinemas Queen Street and Westgate including new seating concepts and foyer area upgrades targeted for completion by December 2019. Event Cinemas in Albany and Manukau will each have two traditional cinemas converted to the new three-seat Vmax concept and these new auditoriums are due to open by December 2019.

Discontinued operation – Entertainment Germany

As noted above, this division has been presented as a discontinued operation in the Income Statement for the year ended 30 June 2019.

The German market box office was €867 million, down €60 million (-6.5%) year on year. The primary impacts included the extended 2018 summer with record warm weather, the disruption caused by the FIFA World Cup, a comparative decrease in contribution from local German film content, down €30 million (-15%) on the prior year, and to a lesser extent a Hollywood line up that had less appeal for German audiences down 3% year on year. As a result, German market admissions fell by 5.5%. CineStar traded in line with the market. The decrease in admissions also impacted cinema advertising earnings, which were down 31.6%. Costs were well managed and all variable costs were flexed wherever possible to respond to the softening of the admission levels.

The highest-grossing titles within the German market included: *Avengers: Endgame* (5 million admissions); *Fantastic Beasts: The Crimes of Grindelwald* (3.7 million admissions); the German title *All About Me* (3.6 million admissions); *Bohemian Rhapsody* (3.5 million admissions); and *Hotel Transylvania 3: Summer Vacation* (2.5 million admissions).

The Group exited from cinemas at Kassel and Osnabrück during the year and two cinemas opened including the nine-screen cinema at Augsberg (opened 20 September 2018) and the five-screen cinema at Remscheid (opened 12 December 2018).

The reported net profit after income tax from Entertainment Germany was $4,810,000. Profit before interest, income tax expense and individually significant items was $9,463,000, a decrease of $10,455,000 or 52.5% below the prior year

HOSPITALITY AND LEISURE
Hotels and Resorts

As at 30 June	2019	2018	Movement
Locations *	62	55	7
Rooms *	10,001	8,975	1,026
Locations (owned)	27	26	1
Rooms (owned)	3,915	3,742	173

* Owned, managed and other hotels with which the Group has a branding and/or service agreement.

Overall Hotels revenue was $353.4 million, an increase of 4.9% on the prior year. This growth was primarily due to two new hotel openings including QT Perth (August 2018) and Atura Adelaide Airport (September 2018), growth in conference and event revenues and growth in food and beverage revenue. Fee income, from existing managed hotels and new management agreements, increased by 13.6%. This was a pleasing result in a very competitive market.

Across key Australian and New Zealand markets, the year was characterised by a record increase in supply of new rooms and less key events which slowed demand. Whilst record occupancy levels were not experienced, it was pleasing to see that there was a continued high level of demand for hotel rooms particularly in major markets such as Sydney, Melbourne and Queenstown which traded at occupancy levels of 86.3%, 84.7% and 81.8% respectively.

Despite a more competitive market with softer overall demand, the Group performed well. Occupancy in the Group's owned hotels (all brands) was in line with the comparable record period at 79.4% (-0.1 percentage point). Average room rate (all brands) had a marginal decline of 0.7% to $184. As a result, revenue per available room (revpar) was $146, down 0.8%. However, occupancy, average room rate and revpar in like-for-like hotels increased by 0.3%, 0.05% and 0.5% respectively which was a pleasing result.

Occupancy in the Group's owned Rydges hotels increased by 0.3% to 80.6%. Average room rate declined 1.8%, resulting in a revpar decline of 1.3% to $127. Pleasingly, adjusting for the partial closure of Rydges Queenstown (March 2019), revpar increased across the Group. Rydges is in a transitional period where we are in the process of upgrading key properties. The Group is advanced with plans to fully upgrade Rydges North Sydney, a key asset in a strong location, with the hotel expected to close for renovations at the end of the 2020 financial year. Rydges Melbourne food and beverage areas were upgraded this year and a soft refurbishment to rooms is planned in the 2020 financial year. Rydges Geelong upgrade works have commenced including ground floor and a soft upgrade of rooms due to be completed in November 2019.

Occupancy in the Group's Atura hotels increased by 3.4 percentage points, whilst revpar increased by 3.6%. This result was supported by the addition of Atura Adelaide Airport which is trading strongly and contributed positively to earnings in its first 10 months of trading.

The strength of the differentiated QT brand experience resulted in a strong performance across all QT hotels relative to market. Occupancy in the Group's like-for-like QT hotels increased by 0.4 percentage points to 81.1% and average room rate increased by 2.8% to $242, resulting in an increase in revpar of 3.3%. A 16-room extension to QT Wellington was completed in November 2018, and QT Sydney public areas and guest rooms were upgraded including the addition of a new food and beverage venue. New meeting room spaces were introduced at both QT Sydney and QT Melbourne, leveraging underutilised areas which is aligned with the Group's goal of maximising key assets.

Conference and events revenue for the Group's owned and managed hotels increased by 9.6% as a direct result of new strategies and programs across the Group whilst total food and beverage revenue increased by 6.3% across the Group. New eCommerce websites were developed and launched for Rydges and Atura in April 2019, achieving immediate improvements in conversion within the first few weeks. New operating systems to enhance revenue management were implemented, increasing the number to 17 hotels with this technology. A new rostering system was also implemented, resulting in payroll as a percentage of revenue remaining in line with prior year on a like-for-like basis and allowing for the Rydges Queenstown impact, a positive result considering annual pay increases for the award in both Australia (3.5%) and New Zealand (4.8% – April 2018 and 7.3% – April 2019).

Six new hotels under management and licence agreements joined the Group during the year. The hotels included Rydges Darwin Central, The Ultimo Sydney, All Suites Perth, Pensione Perth, Rydges Norwest (formally Novotel Norwest) and Rydges Wellington Airport. In addition, five new management and licence agreements have been signed for Rydges affiliate hotels in Armidale and Tamworth (joined the Group in July 2019), and QT hotels in Auckland (opening early 2020), QT Newcastle (opening late 2020) and QT Adelaide (opening mid 2021). This resulted in a record year for new hotel agreements for the Group.

EBITDA was $97,943,000, up $1,758,000 (1.8%) on prior year or up 3.6% adjusted for the closure of rooms at Rydges Queenstown. The normalised profit before interest and income tax expense was $69,502,000, 0.3% above the prior comparable record year or up 2.7% adjusting for the closure of Rydges Queenstown rooms. This record earnings result in a more competitive market reflects the strength of the Group's locations, successful brand differentiation strategy, eCommerce enhancements and investment in operating systems. Profit margin was impacted primarily by the closure of the east and west wings of Rydges Queenstown and early trading days for QT Perth. Rydges Queenstown closed 93 rooms contained in the east and west wings in order to bring forward development plans for this site and address seismic rating issues within these wings. This impacted earnings by approximately $1.5 million. QT Perth, whilst trading ahead of the most recent forecast, negatively contributed to the hotels result and is the primary reason for the decline in margin from the Group's hotel business. Adjusting for QT Perth, the overall Group margin improved by 1 percentage point.

Thredbo Alpine Resort

Thredbo revenue was $81,820,000, up 12.1% on the prior year following a strong 2018 snow season and continued growth in summer mountain biking revenues.

The 2018 snow season was consistent with good snowfall and snowmaking with lift pass revenue up 10.5% and a 2.8% increase in skier visits with yield improvement. Strong food and beverage revenues also contributed to overall growth.

Summer revenues continue to grow, underpinned by growth in mountain biking visitation with total summer revenue increasing by 7.8% over the prior year. The new Easy Street beginner's mountain biking trail was completed and opened for the 2018/19 summer season, further supporting this continued growth in mountain biking revenue.

EBITDA was $28,923,000, an increase of $3,218,000 or 12.5% above the prior comparable year, whilst the normalised profit before interest and income tax expense was $25,017,000, an increase of $3,179,000 or 14.6%.

The profit for the year included $0.9 million associated with the sale of an undeveloped lot in Woodridge, Thredbo Village.

Development plans to increase capacity and continue to improve the skier experience are well advanced. During this season a soft upgrade to the Thredbo Alpine Hotel and outdoor venues has been completed. Development approval has been obtained for the replacement of Merritt's Chairlift with a high-speed detachable gondola in time for the 2020 ski season. The gondola will reduce guest ride times from 23 minutes to 6 minutes and increase capacity from 520 guests to 1,600 guests per hour, enhancing the guest experience and unlocking Merritt's Mountain House potential as an event destination. To further support summer mountain biking revenue, development approval has been obtained for the new High Noon Flow Trail which is due to open prior to Christmas 2019. Further future developments including a chairlift replacement plan, increased car parking, and improved and extended Friday Flat facilities are also in progress, subject to all necessary approvals.

PROPERTY AND OTHER INVESTMENTS

The normalised profit before interest and income tax expense was $13,436,000, a decrease of $3,092,000 below the prior comparable year. The result included a fair value increment of $1,931,000, versus the $5,750,000 increment in the prior year. The prior year included a significant uplift associated with the Forum Building and whilst the valuation of each of the Group's three investment properties increased in the year ended 30 June 2019, this increase was lower than in the prior year. Rental income increased 6.0%.

During the year, strong progress was made in regard to the two major development projects. The Concept Development Application for the proposed 525 George Street, Sydney development was lodged in July 2019 for a mixed-use development of up to 43 storeys to include a podium with prime ground floor retail space (830m^2) on George Street, a seven-screen cinema complex, and a tower including a new Atura hotel with approximately 450 rooms, a conference centre, and 72 residential apartments. Subject to market conditions, this development is expected to take five to seven years to complete.

The Concept Development Application for the proposed 458-472 George Street, Sydney development was lodged in August 2019 for a mixed-use development of up to 30 storeys to include a podium with prime ground floor retail space (340m^2) on George Street, an extension of the QT Sydney hotel with 72 additional rooms and conference centre, QT rooftop bar and a commercial office tower. Subject to market conditions, this development is expected to take four to six years to complete.

UNALLOCATED REVENUES AND EXPENSES

The unallocated revenues and expenses include the Group's corporate functions and various head office expenses and increased 12.8%. However, an incremental bonus expense was incurred during the year following the record result for the year ended 30 June 2018. Excluding the incremental bonus expenditure, unallocated revenue and expenses were relatively flat with the prior year, despite a negative impact from increased insurance premiums and associated costs of $510,000.

During the year, the Group invested in its compliance, risk management, facilities management and work health and safety functions to further enhance the management of these important areas and ensure that the Group remains ahead of requirements as they continue to evolve. Further details regarding the Group's management of work health and safety risk matters have been included in section 5.10 of the 2019 Corporate Governance Statement.

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 2019 of $1.95 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 and 525 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;
- implementing new pricing strategies;
- developing new food and beverage concepts;
- enhancing the Cinebuzz loyalty program;
- growing alternative content;
- identifying other sources of entertainment income;
- 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;
- 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;
- growing conference and events revenue;
- improving and innovating food and beverage offerings; 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;
- enhancing the Resort's lift infrastructure, including the replacement of Merritt's chairlift with a high-speed detachable gondola during the year ending 30 June 2020;
- 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 snowmaking 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 2019 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 2018 dividend	31	49,880	20 September 2018	30%
Interim 2019 dividend	21	33,851	21 March 2019	30%
		83,731		
Declared after the end of the year				
Final 2019 dividend	31	49,971	19 September 2019	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 18 to 30 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' 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	7,500	-	-	-
JM Hastings	6,000	-	-	201,997
PM Mann	-	7,000	-	-
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 31 and forms part of the Directors' Report for the year ended 30 June 2019.

NON-AUDIT SERVICES PROVIDED BY KPMG

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

DIRECTORS' REPORT

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.

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 22nd day of August 2019.

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 2019 Remuneration Report.

Remuneration arrangements for the CEO

In accordance with the CEO's contract, a review of Ms Hastings' remuneration arrangements was conducted by the Board during the year ended 30 June 2019, 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 of 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 2019. Details of these new arrangements are set out on page 22.

Short term incentive ("STI") assessment for the CEO

The STI payment for the CEO disclosed in this Remuneration Report represented 100% of the total potential STI for the year ended 30 June 2018. This reflects the Group's strong financial performance, and the full achievement by the CEO of the other STI targets set by the Board. Whilst the details are considered commercially sensitive, the STI targets included business transformation initiatives, management of current property developments, and other business growth targets. Further details regarding the Group STI arrangements are set out on pages 19 and 26.

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 23.

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 other senior executives include at-risk components that are 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 Company's 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 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 established 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 2020 as follows:

	2020 $	2019 $
Chairman (including committee fee)	335,000	328,000
Other non-executive directors		
Base fee	137,000	134,000
Committee fee	21,000	21,000
Additional fee for the Chairman of the Board committees	19,000	18,000

Non-executive director remuneration (continued)
Structure (continued)
The remuneration of non-executive directors for the year ended 30 June 2019 is detailed on page 24.

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, applicable 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 22.

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 Board based on recommendations provided 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 remuneration levels. The guideline is based on both current and forecast Consumer Price Index, remuneration trends on the market and general 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 fringe benefits such as motor vehicles and car parking. Fixed annual remuneration includes superannuation and all fringe benefits, including fringe benefits tax.

Variable remuneration – STI
Objective
The objective of the STI plan is to link the achievement of key 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 ensuring 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 targets consist of a number of KPIs covering both financial and non-financial measures of performance. Typically, KPIs and assessment criteria include pre-determined growth in Group and divisional earnings over the prior year, and other strategic and operational objectives.

A work, health and safety gateway applies to the STI plan and executives will only be eligible for a payment under the plan if the requirements of the gateway have been satisfied.

Variable remuneration – STI (continued)

Structure (continued)

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.

On an annual basis, an earnings performance rating for the Group and each division is assessed by the Nomination and Remuneration Committee and approved by the Board. 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 review by the Nomination and Remuneration Committee and approval by the Board. 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 90% 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
CEO and Managing Director					
JM Hastings[b]	90%	50%	–	30%	10%
Other executive KMP					
NC Arundel	53%	16.5%	16.5%	–	20%
GC Dean	52.5%	27.5%	–	–	25%
MR Duff	52.5%	27.5%	–	19%	6%
HR Eberstaller	50%	10%	20%	16%	4%
JM Rodgers[c]	53%	16.5%	16.5%	–	20%

(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. The Board considers the specific targets to be commercially sensitive and accordingly further details of these targets have not been disclosed.
(c) JM Rodgers ceased employment with the Group on 7 June 2019.

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.

Variable remuneration – LTI (continued)

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 2019 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 2021, with EPS performance measured against the year ended 30 June 2018 (being the base year).

The performance hurdles for the awards of performance rights to executives in the financial year ended 30 June 2019 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 five year history of key financial metrics:

	2019	2018	2017	2016	2015
Net profit before individually significant items and income tax ($)[(a)]	158,524,000	183,214,000	160,937,000	177,914,000	152,367,000
Dividends per share (cents)	52	52	51	51	45
Special dividend per share (cents)	–	–	–	–	8
Share price at year end ($)	12.50	13.39	13.37	14.53	12.54

(a) Refer to page 6 in the Directors' Report for a reconciliation to reported net profit for the year. The net profit above includes the result from discontinued operations.

Employment contracts for the CEO and other executive KMP

A summary of the key terms of Ms Hastings' employment contract 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 2019, a remuneration package to the value of $1,500,000 per annum, comprising base salary, superannuation and, if applicable, any fringe benefits or voluntary 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 LTI. The current LTI is the Executive 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 LTI will be determined based on a face value of 100% 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 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 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[(a)]	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.

(a) JM Rodgers ceased employment with the Group on 7 June 2019.

Use of remuneration consultants
No remuneration consultants were engaged during the year to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001.

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 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Kenneth Chapman	Independent non-executive director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Peter Coates	Independent non-executive director and lead independent director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Valerie Davies	Independent non-executive director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
David Grant	Independent non-executive director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Patria Mann	Independent non-executive director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Richard Newton	Independent non-executive director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Executive director			
Jane Hastings	CEO and Managing Director	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Other executive KMP			
Norman Arundel	Director of Hotels and Resorts Operations	1 July 2018 to 30 June 2019	Rydges Hotels Limited
Gregory Dean	Director Finance & Accounting, Company Secretary	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Mathew Duff	Director Commercial	1 July 2018 to 30 June 2019	EVENT Hospitality & Entertainment Limited
Hans Eberstaller	Managing Director of Commercial, UK and Europe	1 July 2018 to 30 June 2019	The Greater Union Organisation Pty Limited
Jordan Rodgers	Director of Thredbo Operations	1 July 2018 to 7 June 2019	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	2019	307,469	–	–	–	20,531	–	–	–	–	328,000	–
	2018	300,951	–	–	–	20,049	–	–	–	–	321,000	–
KG Chapman	2019	122,374	–	–	–	11,626	–	–	–	–	134,000	–
	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
PR Coates	2019	122,374	–	–	–	11,626	–	–	–	–	134,000	–
	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
VA Davies	2019	122,374	–	–	–	11,626	–	–	–	–	134,000	–
	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
DC Grant	2019	157,991	–	–	–	15,009	–	–	–	–	173,000	–
	2018	155,251	–	–	–	14,749	–	–	–	–	170,000	–
PM Mann	2019	141,553	–	–	–	13,447	–	–	–	–	155,000	–
	2018	138,813	–	–	–	13,187	–	–	–	–	152,000	–
RG Newton	2019	122,374	–	–	–	11,626	–	–	–	–	134,000	–
	2018	119,635	–	–	–	11,365	–	–	–	–	131,000	–
Executive												
JM Hastings	2019	1,429,469	1,040,000	–	3,068	20,531	478,667	(37,550)	–	–	2,934,185	51.8%
	2018	1,279,951	143,051	–	2,885	20,049	195,376	41,647	–	–	1,682,959	20.1%

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	2019	529,469	218,350	–	8,478	20,531	145,641	11,957	15,111	–	949,537	38.3%
	2018	479,415	65,050	–	8,287	20,049	148,078	13,951	(5,341)	–	729,489	29.2%
GC Dean	2019	644,469	253,500	–	7,295	20,531	199,799	(11,616)	19,685	–	1,133,663	40.0%
	2018	629,951	76,250	–	6,886	20,049	210,726	(30,992)	17,326	–	930,196	30.9%
MR Duff	2019	644,469	309,050	–	5,582	20,531	199,799	7,213	25,004	–	1,211,648	42.0%
	2018	629,951	116,952	–	5,163	20,049	212,384	90,526	17,537	–	1,092,562	30.1%
HR Eberstaller	2019	373,059	122,886	–	2,826	20,531	97,603	9,058	11,400	–	637,363	34.6%
	2018	367,541	63,308	–	2,762	20,049	109,440	(6,362)	11,704	–	568,442	30.4%
JM Rodgers[(c)]	2019	410,363	222,750	–	2,826	19,215	40,104	(10,428)	10,882	271,660	967,372	27.2%
	2018	429,951	119,531	–	2,762	20,049	109,949	1,065	9,494	–	692,801	33.1%

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 salary continuance insurance.

(b) Amounts disclosed above for remuneration relating to 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 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 Rodgers ceased employment with the Group on 7 June 2019.

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 2019. 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)]
CEO and Managing Director			
JM Hastings[(c)]	1,040,000	100.0%	–%
Other executive KMP			
NC Arundel	218,350	87.3%	12.7%
GC Dean	253,500	78.0%	22.0%
MR Duff	309,050	95.1%	4.9%
HR Eberstaller	122,886	63.4%	36.6%
JM Rodgers[(d)]	222,750	99.0%	1.0%

(a) Amounts included in remuneration for the year represent the amounts that were awarded in the year based on achievement of certain specific goals and satisfaction of specified performance criteria for the 30 June 2018 year. No amounts vest in future years in respect of the STI bonus schemes for the 2018 year.

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

(c) The amount awarded to the CEO reflects the Group's financial performance for the year ended 30 June 2018, business transformation initiatives, management of current property developments, and other business growth targets. The Board considers the specific targets to be commercially sensitive and accordingly further details of these targets have not been disclosed.

(d) JM Rodgers ceased employment with the Group on 7 June 2019.

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 $22,954 (2018: $21,368). The Company previously held ordinary shares in Carlton Investments Limited, and continues to hold preference shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $793,023 (2018: $755,213), comprised of $787,711 (2018: $749,901) from ordinary shares and $5,312 (2018: $5,312) from preference shares.

Following a strategic review of the Group's assets, the Board resolved (with AG Rydge absenting) to consider a divestment of the Group's shares in Carlton Investments Limited, and on 22 March 2019 the Group completed a sale of its ordinary shareholding. A total of 630,169 ordinary shares were sold at $28.50 per share, representing a discount of 7.8% to the ASX closing price on that date. The sale was conducted by a broker on behalf of the Group, and the Board (with AG Rydge absenting) obtained independent advice regarding the sale process including the acceptable range of discounts to the ASX share price. Of the ordinary shares sold by the Group, a total of 495,082 shares was acquired by AG Rydge, with the remaining shares acquired by unrelated third parties.

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $102,976 (2018: $101,539). 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 $
CEO and Managing Director							
JM Hastings	88,957	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	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	18,745	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	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	8,531	5,119	30 Jun 2019	14.01	11.40
GC Dean	22,665	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	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	12,347	7,408	30 Jun 2019	14.01	11.40
MR Duff	22,665	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	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	12,347	7,408	30 Jun 2019	14.01	11.40
HR Eberstaller	10,731	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	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	6,468	3,881	30 Jun 2019	14.01	11.40
JM Rodgers[(a)]	12,515	21 Feb 2019	–	12,515	30 Jun 2022	11.21	5.11
	14,319	15 Feb 2018	–	14,319	30 Jun 2021	11.82	6.80
	12,121	16 Feb 2017	–	–	30 Jun 2020	11.09	3.92
	12,587	18 Feb 2016	7,867	4,720	30 Jun 2019	14.01	11.40

(a) JM Rodgers ceased employment with the Group on 7 June 2019 and the performance rights granted on 15 February 2018 and 21 February 2019 were forfeited at that time.

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 [(b)] $	Performance rights exercised Number	Amount paid per right exercised $
CEO and Managing Director				
JM Hastings	725,886	–	–	–
Other executive KMP				
NC Arundel	152,956	115,598	8,531	–
GC Dean	184,943	167,306	12,347	–
MR Duff	184,943	167,306	12,347	–
HR Eberstaller	87,562	87,644	6,468	–
JM Rodgers[(c)]	102,119	106,600	7,867	–

(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 simulation 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.

(b) The value of performance rights exercised during the year is calculated as the five-day volume weighted average price of shares of the Company on the ASX on the date that the performance rights were exercised.

(c) JM Rodgers ceased employment with the Group on 7 June 2019.

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[(a)]	Held at the end of the year
CEO and Managing Director							
JM Hastings	2019	113,040	88,957	–	–	–	201,997
	2018	30,303	82,737	–	–	–	113,040
Other executive KMP							
NC Arundel	2019	46,682	18,745	(8,531)	(5,119)	–	51,777
	2018	46,342	19,888	(18,845)	(703)	–	46,682
GC Dean	2019	66,148	22,665	(12,347)	(7,408)	–	69,058
	2018	64,163	25,855	(23,011)	(859)	–	66,148
MR Duff	2019	66,148	22,665	(12,347)	(7,408)	–	69,058
	2018	65,960	25,855	(24,744)	(923)	–	66,148
HR Eberstaller	2019	32,917	10,731	(6,468)	(3,881)	–	33,299
	2018	35,409	12,333	(14,292)	(533)	–	32,917
JM Rodgers[(a)]	2019	39,027	12,515	(7,867)	(31,554)	(12,121)	–
	2018	39,985	14,319	(14,728)	(549)	–	39,027

(a) JM Rodgers ceased employment with the Group on 7 June 2019, and this movement represents the balance of performance rights held at that date.

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 $
CEO and Managing Director			
JM Hastings	–	–	–
Other executive KMP			
NC Arundel	–	–	–
GC Dean	–	–	–
MR Duff	173,703	13,454	–
HR Eberstaller	76,123	5,896	–
JM Rodgers(b)	–	–	–

(a) The value of performance shares exercised during the year is calculated as the five-day volume weighted average price of shares of the Company on the ASX as at the date that the performance shares were exercised.

(b) JM Rodgers ceased employment with the Group on 7 June 2019.

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
CEO and Managing Director							
JM Hastings	2019	–	–	–	–	–	–
	2018	–	–	–	–	–	–
Other executive KMP							
NC Arundel	2019	23,502	–	–	–	–	23,502
	2018	23,502	–	–	–	–	23,502
GC Dean	2019	–	–	–	–	–	–
	2018	–	–	–	–	–	–
MR Duff	2019	35,943	–	(13,454)	–	–	22,489
	2018	47,048	–	(11,105)	–	–	35,943
HR Eberstaller	2019	15,772	–	(5,896)	–	–	9,876
	2018	26,614	–	(10,842)	–	–	15,772
JM Rodgers(a)	2019	–	–	–	–	–	–
	2018	–	–	–	–	–	–

(a) JM Rodgers ceased employment with the Group on 7 June 2019.

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[(a)]	Held at the end of the year
Directors							
AG Rydge (Chairman)	2019	73,396,103	–	–	–	–	73,396,103
	2018	72,788,603	607,500	–	–	–	73,396,103
KG Chapman	2019	57,500	–	–	–	–	57,500
	2018	57,500	–	–	–	–	57,500
PR Coates	2019	46,960	–	–	–	–	46,960
	2018	46,960	–	–	–	–	46,960
VA Davies	2019	14,000	–	–	–	–	14,000
	2018	14,000	–	–	–	–	14,000
DC Grant	2019	7,000	500	–	–	–	7,500
	2018	5,000	2,000	–	–	–	7,000
PM Mann	2019	6,142	1,000	–	–	–	7,142
	2018	6,142	–	–	–	–	6,142
RG Newton	2019	66,840	–	–	–	–	66,840
	2018	66,840	–	–	–	–	66,840
JM Hastings	2019	–	6,000	–	–	–	6,000
(CEO)	2018	–	–	–	–	–	–
Other KMP							
NC Arundel	2019	40,011	–	8,531	(10,000)	–	38,542
	2018	32,666	–	18,845	(11,500)	–	40,011
GC Dean	2019	145,875	–	12,347	–	–	158,222
	2018	122,864	–	23,011	–	–	145,875
MR Duff	2019	36,609	–	25,801	–	–	62,410
	2018	23,199	–	35,849	(22,439)	–	36,609
HR Eberstaller	2019	11,800	–	12,364	(24,164)	–	–
	2018	11,100	–	25,134	(24,434)	–	11,800
JM Rodgers[(a)]	2019	12,582	–	7,867	(10,400)	(10,049)	–
	2018	17,854	–	14,728	(20,000)	–	12,582

(a) JM Rodgers ceased employment with the Group on 7 June 2019, and this movement represents the balance of ordinary shares held at that date.

Other than the arrangements disclosed above, no shares were granted to KMP as compensation in the year ended 30 June 2019. Performance rights were granted to certain KMP as disclosed on page 27.

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 2019 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
22 August 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4.4	71,925	95,564
Trade and other receivables	3.1	53,605	55,293
Inventories	3.2	18,474	21,552
Prepayments and other current assets		10,840	16,482
Assets held for sale	2.4	144,665	–
Total current assets		299,509	188,891
Non-current assets			
Trade and other receivables	3.1	1,542	1,042
Other financial assets		1,086	1,396
Other investments	4.5	78	20,924
Investments accounted for using the equity method	5.3	11,113	14,368
Property, plant and equipment	3.3	1,276,309	1,321,917
Investment properties	3.4	76,200	74,000
Goodwill and other intangible assets	3.5	93,324	101,323
Deferred tax assets	2.5	25,337	4,771
Other non-current assets		1,906	1,947
Total non-current assets		1,486,895	1,541,688
Total assets		1,786,404	1,730,579
LIABILITIES			
Current liabilities			
Trade and other payables	3.6	84,622	106,947
Loans and borrowings	4.4	–	1,127
Current tax liabilities		25,688	1,298
Provisions	3.7	20,335	20,665
Deferred revenue		55,648	90,170
Other current liabilities	3.8	4,119	5,852
Liabilities held for sale	2.4	50,289	–
Total current liabilities		240,701	226,059
Non-current liabilities			
Loans and borrowings	4.4	377,154	376,355
Deferred tax liabilities	2.5	11,988	11,731
Provisions	3.7	10,634	16,443
Deferred revenue		8,611	9,202
Other non-current liabilities	3.8	5,848	2,191
Total non-current liabilities		414,235	415,922
Total liabilities		654,936	641,981
Net assets		1,131,468	1,088,598
EQUITY			
Share capital	4.1	219,126	219,126
Reserves	4.3	73,945	64,896
Retained earnings		838,397	804,576
Total equity		1,131,468	1,088,598

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 37 to 96.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue and other income			
Revenue from sale of goods and rendering of services	2.1	967,476	944,280
Other revenue and income	2.1	41,833	38,003
		1,009,309	982,283
Expenses			
Employee expenses		(276,257)	(252,966)
Occupancy expenses		(161,392)	(151,801)
Film hire and other film expenses		(144,787)	(143,981)
Purchases and other direct expenses		(90,554)	(93,665)
Depreciation, amortisation and impairments		(70,118)	(82,328)
Other operating expenses		(76,118)	(71,278)
Advertising, commissions and marketing expenses		(31,678)	(30,730)
Finance costs		(9,882)	(6,402)
		(860,786)	(833,151)
Equity accounted profit			
Share of net profit of equity accounted associates and joint ventures	5.3	565	778
Profit before tax		149,088	149,910
Income tax expense	2.5	(42,009)	(48,451)
Profit after tax from continuing operations		107,079	101,459
Discontinued operations			
Profit after tax from discontinued operations	2.4	4,810	10,451
Profit for the year		111,889	111,910

	Note	2019 Cents	2018 Cents
Earnings per share			
Basic earnings per share			
Continuing operations	2.6	66.6	63.3
Discontinued operations	2.6	3.0	6.5
Total		69.6	69.8
Diluted earnings per share			
Continuing operations	2.6	66.1	62.8
Discontinued operations	2.6	3.0	6.5
Total		69.1	69.3

The Income Statement is to be read in conjunction with the notes to the financial statements on pages 37 to 96.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
Profit for the year	111,889	111,910
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations – net of tax	8,598	5,192
Net change in fair value of investments designated as at fair value through other comprehensive income ("FVOCI") – net of tax	(2,155)	697
Net change in fair value of cash flow hedging instruments – net of tax	(19)	18
Other comprehensive income for the year – net of tax	6,424	5,907
Total comprehensive income for the year	118,313	117,817

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 37 to 96.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018	219,126	64,896	804,576	1,088,598
Adjustment on initial application of AASB 15 net of tax	–	–	5,663	5,663
Restated balance at 1 July 2018	219,126	64,896	810,239	1,094,261
Profit for the year	–	–	111,889	111,889
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	8,598	–	8,598
Net change in fair value of investments designated as at FVOCI – net of tax	–	(2,155)	–	(2,155)
Net change in fair value of cash flow hedging instruments – net of tax	–	(19)	–	(19)
Total other comprehensive income recognised directly in equity	–	6,424	–	6,424
Total comprehensive income for the year	–	6,424	111,889	118,313
Employee share-based payments expense – net of tax	–	2,625	–	2,625
Dividends paid	–	–	(83,731)	(83,731)
Total transactions with owners	–	2,625	(83,731)	(81,106)
Balance at 30 June 2019	219,126	73,945	838,397	1,131,468
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

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 37 to 96.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		1,373,787	1,333,797
Cash payments in the course of operations		(1,207,918)	(1,131,180)
Cash provided by operations		165,869	202,617
Dividends from joint ventures		2,340	2,252
Other revenue		55,192	59,024
Dividends received		805	771
Interest received		539	599
Finance costs paid		(10,461)	(7,736)
Income tax paid		(42,915)	(49,778)
Net cash provided by operating activities	7.3	171,369	207,749
Cash flows from investing activities			
Payments for property, plant and equipment and redevelopment of properties		(114,236)	(163,230)
Finance costs paid in relation to qualifying assets		(4,515)	(6,158)
Purchase of management and leasehold rights, software and other intangible assets		(5,117)	(3,352)
Payments for interest in joint venture		–	(3,266)
Decrease in loans from other entities		(144)	(1,609)
Payments for businesses acquired, including intangible assets		–	(1,141)
Proceeds from disposal of other non-current assets		34,464	91
Net cash used by investing activities		(89,548)	(178,665)
Cash flows from financing activities			
Proceeds from borrowings		106,000	169,665
Repayments of borrowings		(107,647)	(115,191)
Dividends paid	4.2	(83,731)	(83,564)
Net cash used by financing activities		(85,378)	(29,090)
Net decrease in cash and cash equivalents		(3,557)	(6)
Cash and cash equivalents at the beginning of the year		95,564	92,318
Effect of exchange rate fluctuations on cash held		1,754	3,252
Cash and cash equivalents at the end of the year		93,761	95,564
Attributable to:			
Continuing operations		71,925	39,846
Discontinued operations	2.4	21,836	55,718
Cash and cash equivalents at the end of the year		93,761	95,564

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 37 to 96.

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 2019 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 22 August 2019.

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, investments designated as at FVOCI, 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 Notes 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).

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 AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

AASB 15 *Revenue from Contracts with Customers* ("AASB 15")
AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application of 1 July 2018. Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. Additionally, the disclosure requirements of AASB 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018:

Impact of adopting AASB 15 at 1 July 2018	**$'000**
Retained earnings	
1. Breakage on gift card and voucher revenue	9,260
2. Deferral of gift card and voucher selling costs	557
3. Adjustment to fair value of loyalty points	(4,154)
4. Contract acquisition costs for hotel management agreements	–
Impact at 1 July 2018	5,663

The following tables summarise the impact of adopting AASB 15 on the Group's statement of financial position as at 30 June 2019 and its income statement and statement of comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 30 June 2019.

Impact on the Statement of Financial Position

Statement of Financial Position As at 30 June 2019	**Note**	**As reported $'000**	**Adjustments $'000**	**Amounts without adoption of AASB 15 $'000**
Total assets		1,786,404	—	1,786,404
LIABILITIES				
Deferred revenue (current and non-current)	1, 2, 3	64,259	(861)	63,398
Deferred tax liabilities	1, 2, 3	11,988	258	12,246
Liabilities held for sale	1, 3	50,289	5,505	55,794
Other liabilities		528,400	—	528,400
Total liabilities		654,936	4,902	659,838
Net assets		1,131,468	(4,902)	1,126,566
EQUITY				
Share capital		219,126	—	219,126
Reserves		73,945	(153)	73,792
Retained earnings	1, 2, 3	838,397	(4,749)	833,648
Total equity		1,131,468	(4,902)	1,126,566

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

Impact on the Income Statement and Statement of Comprehensive Income

Income Statement For the year ended 30 June 2019	Note	As reported $'000	Adjustments $'000	Amounts without adoption of AASB 15 $'000
Revenue and other income				
Revenue from sale of goods and rendering of services	1, 2, 3, 4	967,476	2,429	969,905
Other revenue and income		41,833	—	41,833
		1,009,309	2,429	1,011,738
Expenses				
Depreciation and amortisation	4	(70,188)	(1,497)	(71,685)
Other expenses		(790,598)	—	(790,598)
		(860,786)	(1,497)	(862,283)
Equity accounted profit				
Share of net profit of equity accounted investees		565	—	565
Profit before tax		149,088	932	150,020
Income tax expense	1, 2, 3, 4	(42,009)	(280)	(42,289)
Profit after tax from continuing operations		107,079	652	107,731
Discontinued operations				
Profit after tax from discontinued operations	1, 3	4,810	262	5,072
Profit for the year		111,889	914	112,803

Statement of Comprehensive Income For the year ended 30 June 2019	Note	As reported $'000	Adjustments $'000	Amounts without adoption of AASB 15 $'000
Profit for the year	1, 2, 3	111,889	914	112,803
Other comprehensive income for the year – net of tax	1, 2, 3	6,424	(153)	6,271
Total comprehensive income for the year		118,313	761	119,074

1. *Breakage on gift card and voucher revenue*

Under AASB 15, revenue from gift cards and vouchers that are not redeemed by customers ("breakage") is required to be estimated and recognised as revenue based on historical patterns of redemption by customers. The Group previously recognised breakage only after the gift cards and vouchers had expired. This adjustment has resulted in a decrease in the revenue recognised in the year ended 30 June 2019 and a decrease in the deferred revenue balance as at that date. Judgement is required to estimate future gift card and voucher breakage and actual breakage may differ from management's estimate.

2. *Deferral of gift card and voucher selling costs*

The Group incurs commission and other direct expenses in relation to the sale of gift cards and vouchers that were previously expensed as incurred. AASB 15 requires that the incremental costs of obtaining a contract with a customer be recognised as an asset if those costs are expected to be recovered, and as a result the Group has recognised an asset in relation to the selling costs associated with gift cards and vouchers that are not yet redeemed by customers at the balance sheet date.

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

3. Adjustment to fair value of loyalty points
The Group has changed its methodology for calculating the fair value of unredeemed loyalty points on the basis of the specific guidance in AASB 15 and this has resulted in a decrease in revenue recognised in the year ended 30 June 2019 and an increase in the deferred revenue balance as at that date.

4. Contract acquisition costs for hotel management agreements
Under AASB 15, contract acquisition costs related to hotel management agreements are 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.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams.

AASB 9 *Financial Instruments* ("AASB 9")
AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Expected credit loss impairment model
AASB 9 introduces a new expected credit loss impairment model for accounting for the impairment of financial assets, including trade receivables. This replaces the previous incurred loss model required by AASB 139. The Group has revised its methodology and accounting policy for the impairment of trade receivables to reflect the requirements of AASB 9. The Group's allowance for trade receivables under the previous incurred loss model and the new expected credit loss impairment model required by AASB 9 is immaterial and consequently the adoption of this new accounting policy has had no impact on the Group's financial statements.

Hedge accounting
AASB 9 introduces a new hedge accounting model, replacing the previous model in AASB 139. AASB 9's hedge accounting model requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group's New Zealand dollar 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. This hedge relationship met the requirements of the AASB 139 hedge accounting model and continues to meet the requirements of the new AASB 9 hedge accounting model and consequently the adoption of AASB 9 has not had an impact on how this hedge relationship is accounted for in the Group's financial statements.

Classification and measurement of financial assets and financial liabilities
AASB 9 contains three principal categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The Group holds equity investments in a company listed on the ASX that under AASB 139 was classified as an available-for-sale financial asset. AASB 9 allows entities to make an irrevocable election to measure equity investments not held for trading as FVOCI, and the Group has made this election in respect of this investment. The accounting requirements of AASB 9 for financial assets classified as FVOCI are similar to those of AASB 139 for available-for-sale financial assets and consequently there is no significant impact on the Group's financial statements of the classification of this investment as FVOCI under AASB 9.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

1.5 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

AASB 16 *Leases* ("AASB 16")
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 EBITDA, 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.

Estimated impact of AASB 16 Leases at 1 July 2019 – as lessee
The Group has assessed the estimated impact that AASB 16 will have on its consolidated statement of financial position at 1 July 2019 (excluding discontinued operations) in relation to operating leases for which it is the lessee.

Estimated impact of AASB 16 – as lessee (continuing operations)	
New ROU assets	$526 million to $582 million
New lease liabilities	$577 million to $638 million

The net effect of the new lease liabilities and right-of-use assets, adjusted for deferred tax, will be recognised against retained earnings.

The impact predominately relates to the Group's cinema lease arrangements.

The estimated impact in the table above includes option periods for certain leases for which management has formed a preliminary view that exercise of the option is 'reasonably certain', as defined in AASB 16. The assessment of the likelihood of exercise, or otherwise, of future option periods is complex and judgemental and may be revised when this initial assessment is finalised, resulting in an increase or decrease in the lease liabilities and ROU assets at 1 July 2019.

Estimated impact of AASB 16 at 1 July 2019 – as lessor
AASB 16 does not generally impact on previous accounting policies in respect of arrangements in which the Group is the lessor. However, sub-lease arrangements may be impacted by the adoption of AASB 16, as the determination of whether a sub-lease should be treated as an operating lease or finance lease is made with reference to the ROU asset recognised for the head lease under AASB 16.

As disclosed in Note 7.1, 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. Under AASB 117, these sub-lease arrangements were accounted for as operating leases. The classification of these sub-leases as operating or finance leases under AASB 16 is currently under review.

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

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The effect of applying AASB 15 has been disclosed in Note 1.4. The Group's revenue recognition accounting policies under AASB 15 in comparison with the policies under the previous standard (AASB 118) are summarised in the table below:

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 July 2018)	Revenue recognition under AASB 118 (applicable before 1 July 2018)
Box office	Customers purchase a ticket to see a film and the customer obtains control of the service when they see the film. Tickets may be purchased by customers in advance or on the day of the film screening. Customers that are members of the Group's cinema loyalty program (Cinebuzz) earn points when purchasing tickets which can be used to purchase services from the Group in the future.	Box office ticket revenue is recognised on the date the customer views the relevant film. When tickets are sold in advance, the revenue is recorded as deferred revenue in the Statement of Financial Position until the date of the film screening. When gift cards and vouchers are sold to customers, the revenue is recognised as deferred revenue in the Statement of Financial Position until the customer uses the gift card or voucher to purchase goods or services from the Group. Revenue from gift cards and vouchers that will not be redeemed by customers ("breakage") is estimated and recognised as revenue based on historical patterns of redemption by customers. When customers earn loyalty points, box office revenue is allocated proportionally based on the relative stand-alone selling prices of the ticket and the loyalty points earned. The stand-alone selling price of the loyalty points is determined with reference to the average admission price and expected loyalty point breakage. Loyalty point revenue is recognised as deferred revenue in the Statement of Financial Position until the points are redeemed or expire. Breakage is estimated based on historical patterns of redemptions by customers. Commission and other direct expenses incurred in relation to the sale of gift cards are recognised as an asset until the gift cards are redeemed or expire.	Box office ticket revenue was recognised on the date the customer viewed the relevant film. When tickets were sold in advance or gift cards and vouchers were sold to customers, the revenue was recorded as deferred revenue in the Statement of Financial Position until the date the customer viewed the relevant film or expiry, whichever was earlier. When customers earned loyalty points, a component of box office revenue was allocated to loyalty points based on the residual method and recognised as deferred revenue until the points were redeemed or expired. Commission and other direct expenses in relation to the sale of gift cards and vouchers were expensed as incurred.

SECTION 2 – PERFORMANCE FOR THE YEAR

2.1 – REVENUE (continued)

Performance obligations and revenue recognition policies (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 July 2018)	Revenue recognition under AASB 118 (applicable before 1 July 2018)
Food and beverage	Customers obtain control of food and beverage at the point of sale.	Revenue is recognised at the point of sale.	Revenue was recognised at the point of sale.
Hotel rooms	Customers obtain control of the accommodation service when they occupy the room.	Revenue is recognised when the room is occupied.	Revenue was recognised when the room was occupied.
Hotel management and service agreements	Customers, being hotel owners, obtain control of the management service as it is provided over the life of the management or service agreement.	Revenue is recognised as the fees are earned over the life of the contract. Contract acquisition costs are recognised over the life of the control as a reduction in revenue.	Revenue was recognised as the fees were earned over the life of the contract. Contract acquisition costs were amortised over the life the contract.
Thredbo lift tickets	Customers obtain control of the lift service on the day or other period when the lift ticket is valid for use.	Revenue is recognised as customers use 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.	Revenue was customers used the service. For season and other passes, revenue was recorded as deferred revenue in the Statement of Financial Position initially and was then recognised over the period that the pass was valid.
Thredbo ski school	Customers obtain control of the ski school service when the lesson is attended.	Revenue is recognised at the time of the lesson or other activity.	Revenue was recognised at the time of the lesson or other activity.

SECTION 2 – PERFORMANCE FOR THE YEAR

2.1 – REVENUE (continued)

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The effect of applying AASB 15 has been disclosed in Note 1.4. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

	2019 $'000	2018 $'000
Revenue from contracts with customers (see below)	967,476	944,280
Other revenue		
Rental revenue	26,204	24,698
Finance revenue	527	528
Dividends	805	771
Sundry	867	1,121
	28,403	27,118
Other income		
Reversal of impairment charges booked in previous years	9,809	–
Insurance proceeds	1,601	5,041
Increase in fair value of investment properties	1,931	5,750
Profit on sale of property, plant and equipment	89	94
	13,430	10,885
	1,009,309	982,283

SECTION 2 – PERFORMANCE FOR THE YEAR

2.1 – REVENUE (continued)

Disaggregation of revenue from contracts with customers	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019								
Major products/service lines								
Box office	263,791	56,759	–	–	–	320,550	170,694	491,244
Food and beverage	119,937	25,461	117,245	14,432	–	277,075	85,778	362,853
Hotel rooms	–	–	196,750	3,181	–	199,931	–	199,931
Management and service agreements	2,248	69	17,278	–	–	19,595	432	20,027
Thredbo lift tickets	–	–	–	43,070	–	43,070	–	43,070
Other revenue from contracts with customers	65,114	7,496	19,916	12,202	2,527	107,255	33,067	140,322
Revenue from contracts with customers	451,090	89,785	351,189	72,885	2,527	967,476	289,971	1,257,447
Rental revenue						26,204	4,661	30,865
Finance revenue						527	12	539
Dividends						805	–	805
Increase in fair value of investment properties						1,931	–	1,931
Sundry						956	335	1,291
Total revenue and other income before individually significant items						997,899	294,979	1,292,878
Individually significant items – other income						11,410	–	11,410
Total revenue and other income						1,009,309	294,979	1,304,288

2.1 – REVENUE (continued)

Disaggregation of revenue from contracts with customers	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2018								
Major products/service lines								
Box office	262,708	54,112	–	–	–	316,820	179,884	496,704
Food and beverage	119,512	24,615	111,057	12,635	–	267,819	81,032	348,851
Hotel rooms	–	–	186,727	2,962	–	189,689	–	189,689
Management and service agreements	2,366	68	16,551	–	–	18,985	407	19,392
Thredbo lift tickets	–	–	–	37,872	–	37,872	–	37,872
Other revenue from contracts with customers	69,119	6,441	20,292	11,207	1,980	109,039	40,553	149,592
Individually significant items – revenue from contracts with customers	–	–	3,548	–	508	4,056	–	4,056
Revenue from contracts with customers	453,705	85,236	338,175	64,676	2,488	944,280	301,876	1,246,156
Rental revenue						24,698	5,284	29,982
Finance revenue						528	71	599
Dividends						771	–	771
Increase in fair value of investment properties						5,750	–	5,750
Sundry						4,852	224	5,076
Total revenue and other income before individually significant items						980,879	307,455	1,288,334
Individually significant items – other income						1,404	–	1,404
Total revenue and other income						982,283	307,455	1,289,738

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. The Group entered into an agreement for the sale of this division on 22 October 2018 and as a result this segment has been reclassified to discontinued operations. See Note 2.4 for further information.

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 investments designated as at FVOCI.

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.

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019								
Revenue and other income								
External segment revenue	451,186	89,822	353,377	81,820	18,310	994,515	294,967	1,289,482
Other income – external	–	–	91	9	2,725	2,825	–	2,825
Finance revenue						527	12	539
Other unallocated revenue						32	–	32
Revenue and other income before individually significant items						997,899	294,979	1,292,878
Individually significant items						11,410	–	11,410
Revenue and other income						1,009,309	294,979	1,304,288
Result								
Segment result before individually significant items	60,179	10,015	68,956	25,017	13,436	177,603	8,335	185,938
Share of net profit of equity accounted investees	19	–	546	–	–	565	1,128	1,693
Total segment result before individually significant items	60,198	10,015	69,502	25,017	13,436	178,168	9,463	187,631
Unallocated revenue and expenses						(19,223)	–	(19,223)
Net finance costs						(9,355)	(529)	(9,884)
Individually significant items						(502)	–	(502)
Profit before related income tax expense						149,088	8,934	158,022
Income tax expense						(42,009)	(4,124)	(46,133)
Profit after income tax expense						107,079	4,810	111,889
Amortisation and depreciation (net of impairment write-downs)	(29,265)	(5,560)	(28,441)	(3,906)	(2,946)	(70,118)	(2,203)	(72,321)
Impairment write-downs	–	–	–	–	–	–	(953)	(953)
Amortisation, depreciation and impairments	(29,265)	(5,560)	(28,441)	(3,906)	(2,946)	(70,118)	(3,156)	(73,274)

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019								
Assets								
Reportable segment assets	306,718	74,659	779,205	45,975	335,414	1,541,971	141,764	1,683,735
Equity accounted investments	7,224	–	3,889	–	–	11,113	2,830	13,943
	313,942	74,659	783,094	45,975	335,414	1,553,084	144,594	1,697,678
Deferred tax assets						25,337	71	25,408
Unallocated corporate assets						63,318	–	63,318
Total assets						1,641,739	144,665	1,786,404
Liabilities								
Reportable segment liabilities	97,754	15,279	46,712	25,448	–	185,193	50,289	235,482
Deferred tax liabilities						11,988	–	11,988
Unallocated corporate liabilities						407,466	–	407,446
Total liabilities						604,647	50,289	654,936
Acquisitions of non-current assets	47,983	14,033	36,295	6,942	4,405	109,658	11,699	121,357

2019

Geographical information	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
External segment revenue	850,084	144,431	294,967	1,289,482
Reportable segment assets	1,336,197	205,774	141,764	1,683,735
Equity accounted investments	7,224	3,889	2,830	13,943
Acquisitions of non-current assets	91,068	18,590	11,699	121,357

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2018								
Revenue and other income								
External segment revenue	453,787	85,268	336,723	72,967	17,271	966,016	307,384	1,273,400
Other income – external	1,333	2,040	370	4	6,505	10,252	–	10,252
Finance revenue						528	71	599
Other unallocated revenue						27	–	27
Revenue and other income before individually significant items						976,823	307,455	1,284,278
Individually significant items						5,460	–	5,460
Revenue and other income						982,283	307,455	1,289,738
Result								
Segment result before individually significant items	68,294	11,150	68,799	21,838	16,528	186,609	18,427	205,036
Share of net profit of equity accounted investees	306	–	471	–	–	777	1,491	2,268
Total segment result before individually significant items	68,600	11,150	69,270	21,838	16,528	187,386	19,918	207,304
Unallocated revenue and expenses						(17,034)	–	(17,034)
Net finance costs						(5,874)	(1,182)	(7,056)
Individually significant items						(14,568)	(3,105)	(17,673)
Profit before related income tax expense						149,910	15,631	165,541
Income tax expense						(48,451)	(5,180)	(53,631)
Profit after income tax expense						101,459	10,451	111,910
Amortisation and depreciation (net of impairment write-downs)	(27,230)	(5,868)	(26,915)	(3,867)	(2,994)	(66,874)	(10,988)	(77,862)
Impairment write-downs	(14,500)	–	(954)	–	–	(15,454)	(3,071)	(18,525)
Amortisation, depreciation and impairments	(41,730)	(5,868)	(27,869)	(3,867)	(2,994)	(82,328)	(14,059)	(96,387)

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment Australia $'000	Entertainment New Zealand $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and Other Investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2018								
Assets								
Reportable segment assets	288,284	61,007	773,410	41,845	352,727	1,517,273	162,839	1,680,112
Equity accounted investments	8,706	–	3,461	–	–	12,167	2,201	14,368
	296,990	61,007	776,871	41,845	352,727	1,529,440	165,040	1,694,480
Deferred tax assets						–	4,771	4,771
Unallocated corporate assets						31,328	–	31,328
Total assets						1,560,768	169,811	1,730,579
Liabilities								
Reportable segment liabilities	108,511	12,685	46,221	20,733	–	188,150	59,350	247,500
Deferred tax liabilities						11,731	–	11,731
Unallocated corporate liabilities						382,750	–	382,750
Total liabilities						582,631	59,350	641,981
Acquisitions of non-current assets	38,502	2,907	112,865	3,533	3,947	161,754	12,127	173,881

2018

Geographical information	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
External segment revenue	832,488	133,528	307,384	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

2.3 – INDIVIDUALLY SIGNIFICANT ITEMS	2019 $'000	2018 $'000
Individually significant items comprised the following:		
Reversal of impairment charges booked in previous years	9,809	–
Impairment charges	–	(15,454)
Redundancies and restructure costs	(3,869)	(1,698)
Hotel and cinema pre-opening costs	(3,473)	(1,293)
Legal and other costs associated with the sale of a business segment	(1,775)	–
Other (expense)/income	(1,194)	3,877
Individually significant items expense before income tax	(502)	(14,568)
Income tax benefit	3,310	4,370
Individually significant items income/(expense) after income tax	2,808	(10,198)

2.4 – DISCONTINUED OPERATIONS

On 22 October 2018, the sale of the German cinema exhibition operation to Vue International Bidco plc, subject to Federal Cartel Office ("FCO") approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation. The sale includes an upfront payment of €130 million (A$206 million) and variable consideration of up to €81.8 million (A$130 million) depending on German market admissions for the 2019 calendar year and up to a further €10 million (A$16 million) subject to the satisfaction of other agreed conditions. The variable consideration is based on German market admissions in the 2019 calendar year reaching a minimum of 105 million admissions with the full consideration paid at 115 million admissions. The FCO review is in progress. This operation was not a discontinued operation at the end of the prior year (30 June 2018) and the comparative Income Statement for the year to 30 June 2018 has been re-presented to show the discontinued operation separately from continuing operations.

Profit attributable to discontinued operations was as follows:	2019 $'000	2018 $'000
Revenue and other income		
Revenue from sale of goods and rendering of services	289,971	301,876
Other revenue and income	5,008	5,579
Total revenue and other income	294,979	307,455
Expenses		
Occupancy expenses	(117,920)	(109,593)
Film hire and other film expenses	(78,757)	(84,449)
Employee expenses	(58,841)	(54,890)
Purchases and other direct expenses	(16,465)	(16,948)
Depreciation, amortisation and impairments	(3,156)	(14,059)
Other operating expenses	(6,259)	(5,880)
Advertising, commissions and marketing expenses	(5,234)	(6,242)
Finance costs	(541)	(1,253)
	(287,173)	(293,314)
Equity accounted profit		
Share of net profit of equity accounted investees	1,128	1,490
Profit before tax	8,934	15,631
Income tax expense	(4,124)	(5,180)
Profit after tax from discontinued operations	4,810	10,451

2.4 – DISCONTINUED OPERATIONS (continued)	2019 $'000	2018 $'000
Cash flows from discontinued operations were as follows:		
Net cash provided by operating activities	13,929	21,467
Net cash used in investing activities	(11,090)	(12,052)
Net cash used in financing activities	(39,075)	(1,609)
Net cash flows for the period	(36,534)	7,806

Assets and liabilities of disposal group held for sale
At 30 June 2019, the disposal group was stated at its carrying amount, which is lower than the fair value less costs to sell, and comprised the following assets and liabilities:

	$'000
ASSETS	
Cash and cash equivalents	21,836
Trade and other receivables	12,428
Inventories	3,265
Prepayments and other current assets	1,157
Investments accounted for using the equity method	2,830
Property, plant and equipment	96,413
Goodwill and other intangible assets	6,665
Deferred tax assets	71
Total assets held for sale	144,665
LIABILITIES	
Trade and other payables	13,622
Loans and borrowings	2,055
Provisions	8,083
Deferred revenue	26,529
Total liabilities held for sale	50,289
Net assets held for sale	94,376

2.5 – 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 57. 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 have 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.

2.5 – TAXATION (continued)	2019 $'000	2018 $'000
Income tax expense		
The major components of income tax expense are:		
Income tax recognised in profit or loss		
Income tax expense attributable to continuing operations	42,009	48,451
Income tax expense attributable to discontinued operations	4,124	5,180
	46,133	53,631
Current income tax		
Current income tax expense	65,042	49,696
Income tax (over)/under provided in prior year	(227)	780
Deferred income tax		
Relating to origination and reversal of temporary differences	(18,682)	3,155
Income tax expense reported in the Income Statement	46,133	53,631
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	(5)	4
Unrealised (gain)/loss on investments designated as at FVOCI	(866)	299
Currency translation movements of deferred tax balances of foreign operations	637	(727)
Net gain on hedge of net investment in overseas subsidiaries	(1,218)	(1,622)
AASB15 Adjustment to retained earnings	(247)	–
Income tax benefit reported in equity	(1,699)	(2,046)
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:		
Profit before tax from continuing operations	149,088	149,910
Profit before tax from discontinued operations	8,934	15,631
Accounting profit before income tax expense	158,022	165,541
Prima facie income tax expense calculated at the Group's statutory income tax rate of 30% (2018: 30%) on accounting profit	47,406	49,662
Increase in income tax expense due to:		
Impairment write-down of land and non depreciable buildings	–	1,632
Non-deductible items and losses in non-resident controlled entities	3,259	1,421
Amortisation of management rights and other intangible assets	725	914
Depreciation and amortisation of buildings	475	472
Non-deductible sale and legal costs	700	104
	5,159	4,543
Decrease in income tax expense due to:		
Impairment write-back of land and non depreciable buildings	921	–
Share of incorporated joint venture net profit	672	842
Tax losses from prior year now recognised/utilised	553	–
Loss on disposal of non-depreciable properties	2,696	–
Franking credits on dividends received	983	324
Other	380	188
	6,205	1,354
Income tax (over)/under provided in the prior year	(227)	780
	46,133	53,631

2.5 – TAXATION (continued)	2019 $'000	2018 $'000
Unrecognised deferred tax assets		
Revenue losses – foreign	3,289	2,487
	3,289	2,487

Included in the deferred tax assets not recognised is the gross value of tax revenue losses arising in Germany of $10,965,000 (2018: $8,290,000). The availability of these tax losses is subject to certain utilisation limits and ongoing availability tests under German tax law. At 30 June 2019, there was no recognised deferred income tax liability (2018: $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	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities comprise:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	37,346	32,940	3,799	3,348
Investment properties	11,559	10,754	805	1,953
Investments designated as at FVOCI	8	4,760	(3,886)	–
Share of joint arrangement timing differences	61	42	19	(7)
Expenditure immediately deductible for tax but capitalised and amortised for accounting purposes	4,569	4,494	73	147
Accrued revenue	4,440	188	2,980	(88)
Prepayments	73	66	7	(13)
Interest and deferred financing costs	491	742	(251)	179
Unrealised foreign exchange gains not currently assessable	358	68	355	–
Sundry items	894	568	319	(304)
	59,799	54,622		
Less: deferred tax assets of the tax consolidated group offset against deferred tax liabilities	(47,811)	(42,891)		
	11,988	11,731		
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	2,755	6,102	3,381	283
Share of joint arrangement timing differences	11,621	10,971	(842)	(866)
Provisions and accrued employee benefits not currently deductible	9,304	11,334	2,043	(2,795)
Deferred revenue	8,956	5,927	(1,590)	(1,071)
Accrued expenses	1,185	1,177	(4)	845
Discounted long term lease and non-interest bearing loan liabilities	34	34	–	–
Share-based payments not currently deductible for tax	1,932	2,669	737	803
Capital losses offsetting unrealised capital gains	–	286	286	(286)
Tax losses carried forward	6,091	4,842	(1,083)	865
Unrealised foreign exchange losses not currently deductible	4,112	2,924	(35)	–
Deferred tax recognised on sale of a business segment	25,371	–	(25,371)	–
Sundry items	1,858	1,396	(424)	162
	73,219	47,662		
Less: deferred tax liabilities of the tax consolidated group offset against deferred tax assets	(47,811)	(42,891)		
Less: amount transferred to assets held for sale	(71)	–		
	25,337	4,771		
Deferred tax (benefit)/expense			(18,682)	3,155

2.6 – 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.

	2019 $'000	2018 $'000
Profit attributable to ordinary shareholders (basic and diluted)	111,889	111,910
	Number	**Number**
Weighted average number of ordinary shares (basic)	160,780,620	160,195,475
Effect of performance shares and performance rights	1,203,039	1,368,020
Weighted average number of ordinary shares (diluted)	161,983,659	161,563,495

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 2.5.

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.

	2019 $'000	2018 $'000
Current		
Trade receivables	19,163	23,683
Less: allowance for trade receivables	(370)	(617)
	18,793	23,066
Other receivables	34,812	32,227
	53,605	55,293
Non-current		
Other receivables	1,500	1,000
Receivable from associates	42	42
	1,542	1,042

As at 30 June 2019, trade receivables with a value of $370,000 (2018: $617,000) were impaired and fully provided for. The movement in the allowance is not considered material.

As at 30 June 2019, trade receivables for the Group that were past due but not impaired were $6,545,000 (2018: $4,533,000), of which $5,049,000 (2018: $3,113,000) was less than 30 days overdue. The remainder is not considered material and consequently an ageing analysis has not been provided.

Current other receivables of $34,812,000 (2018: $32,227,000) 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.

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
· 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 2019 is set out below.

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
2019							
Gross balance at the beginning 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 beginning of the year	(130,416)	–	(220,702)	(26,303)	(542,431)	–	(919,852)
Net balance at the beginning of the year	763,131	1,305	156,073	7,752	244,990	148,666	1,321,917
Additions	408	–	11,846	–	23,288	82,940	118,482
Additions from acquisitions	–	–	–	–	–	–	–
Transfers	74,130	–	53,488	(2,187)	53,118	(179,225)	(676)
Disposals	(340)	–	(87)	(13,340)	(3,267)	–	(17,034)
Depreciation and amortisation	(10,082)	–	(12,957)	(109)	(44,269)	–	(67,417)
Impairment	–	–	(885)	8,736	1,005	–	8,856
Effect of movement in foreign exchange	3,471	43	2,063	–	2,344	673	8,594
Transfer to assets held for sale	(51,428)	–	(19,101)	–	(25,486)	(398)	(96,413)
At 30 June 2019	779,290	1,348	190,440	852	251,723	52,656	1,276,309
Gross balance at the end of the year	906,887	1,348	343,400	930	746,700	52,656	2,051,921
Accumulated depreciation, amortisation and impairments at the end of the year	(127,597)	–	(152,960)	(78)	(494,977)	–	(775,612)
Net balance at the end of the year	779,290	1,348	190,440	852	251,723	52,656	1,276,309
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

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 2019, 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 for June 2019 and June 2018, 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		**2019 $'000**	**2018 $'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	– 2019	214,000	–
	– 2018	1,363,582	1,367,255
	– 2016	–	206,580
		1,577,582	1,573,835
Alternate use is highest and best use			
Independent valuation	– 2018	102,296	101,707
Land and buildings not independently valued			
Book value of land and buildings not independently valued		267,766	287,758
		1,947,644	1,963,300

The book value of the above interests at 30 June 2019 was $1,073,567,000 (2018: $1,118,029,000). The written-down book value of plant and equipment which is deemed integral to land and buildings, has been determined to total approximately $163,662,000 as at 30 June 2019 (2018: $134,917,000).

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 2019

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 2019, 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 (2018: $nil) 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 (2018: $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 2019, using the valuation parameters outlined above. Impairment losses totalling $nil (2018: $13,112,000) 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):

	2019 $'000	2018 $'000
Freehold land and buildings	257,741	253,092
Freehold land and buildings classified as investment properties	17,200	16,750
	274,941	269,842

Capital commitments

	2019 $'000	2018 $'000
Capital expenditure commitments contracted but not provided for and payable	8,841	46,959

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 2019 included capitalisation rates on reversionary rental yields in the range of 6.00% to 7.25% (2018: 6.25% to 7.25%).

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 2019, $6,762,000 (2018: $6,004,000) was recognised as rental income for investment properties in the Income Statement, with $1,643,000 (2018: $1,645,000) incurred in respect of direct costs, including $154,000 (2018: $243,000) for repairs and maintenance.

	2019 $'000	2018 $'000
Freehold land and buildings		
At fair value (Level 3 fair values)	76,200	74,000
Summary of movements:		
Balance at the beginning of the year	74,000	68,250
Fair value increment	2,200	5,750
Balance at the end of the year	76,200	74,000

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
2019						
Gross balance at the beginning of the year	62,018	1,388	196	60,340	15,054	138,996
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(27,075)	(10,598)	(37,673)
Net balance at the beginning of the year	62,018	1,388	196	33,265	4,456	101,323
Acquisitions and initial contributions	–	–	–	1,151	1,724	2,875
Transfers	400	–	–	–	(8)	392
Amortisation and impairment	–	(45)	–	(3,510)	(1,812)	(5,367)
Disposals	–	–	–	(531)	–	(531)
Net foreign currency differences on translation of foreign operations	918	–	–	313	66	1,297
Transfer to assets held for sale	(4,165)	–	–	–	(2,500)	(6,665)
Net balance at the end of the year	59,171	1,343	196	30,688	1,926	93,324
Gross balance at the end of the year	59,171	1,343	196	62,292	12,072	135,074
Accumulated amortisation and impairment losses at the end of the year	–	–	–	(31,604)	(10,146)	(41,750)
Net balance at the end of the year	59,171	1,343	196	30,688	1,926	93,324
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

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Impairment losses recognised

No impairment losses in relation to goodwill, management and leasehold rights have been recognised during the year ended 30 June 2019 (2018: impairment losses of $5,413,000).

	2019 $'000	2018 $'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	9,640	9,250
Entertainment Germany	–	4,051
Hotels – New Zealand	10,237	9,823
Hotels – Australia	3,593	3,593
Multiple units without significant goodwill	2,441	2,041
	59,171	62,018

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% (2018: 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.

	2019 $'000	2018 $'000
Trade payables	23,767	30,759
Other payables and accruals	60,855	76,188
	84,622	106,947

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.

3.7 – PROVISIONS (continued)

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.

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.

	2019 $'000	2018 $'000
Current		
Employee benefits	20,045	20,385
Insurance loss contingencies and other claims	75	75
Onerous contract	215	205
	20,335	20,665
Non-current		
Employee benefits	3,111	3,025
Onerous contract	72	286
Decommissioning of leasehold improvements	7,451	13,132
	10,634	16,443
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	75	81
Payments	(1)	(34)
Provided	1	28
Carrying amount at the end of the year	75	75
Onerous contract		
Carrying amount at the beginning of the year	491	–
Utilised	(204)	–
Provided	–	491
Carrying amount at the end of the year	287	491

3.7 – PROVISIONS (continued)	2019 $'000	2018 $'000
Decommissioning of leasehold improvements		
Carrying amount at the beginning of the year	13,132	11,510
Provided	853	1,140
Reversed	(839)	(62)
Paid	(51)	–
Notional interest	398	200
Net foreign currency differences on translation of foreign operations	247	344
Transfer to liabilities held for sale	(6,289)	–
Carrying amount at the end of the year	7,451	13,132

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.

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Share capital				
Fully paid ordinary shares	160,992,028	160,560,596	219,126	219,126
Movements in share capital				
Balance at the beginning of the year	160,560,596	159,488,932	219,126	219,126
Share capital issued pursuant to the Executive Performance Rights Plan for nil consideration	291,625	343,973	–	–
Performance shares exercised and withdrawn from the trust	139,807	727,691	–	–
Balance at the end of the year	160,992,028	160,560,596	219,126	219,126
Share capital consists of:				
Ordinary shares	160,969,027	160,536,333		
Tax Exempt Share Plan shares	23,001	24,263		
	160,992,028	160,560,596		
Treasury shares				
Performance shares	203,493	343,300		
	161,195,521	160,903,896		

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 2019, a total of 203,493 (2018: 343,300) 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 2019 (2018: 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:					
2019					
Final 2018 dividend	31	49,880	20 September 2018	30%	100%
Interim 2019 dividend	21	33,851	21 March 2019	30%	100%
		83,731			
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			

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

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Final 2019 dividend	31	49,971	19 September 2019	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 2019 and will be recognised in subsequent financial statements.

	2019 $'000	2018 $'000
Franking credit balance		
The amount of franking credits available for future reporting periods	167,086	143,183

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 $21,416,000 (2018: $21,377,000). 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

Financial assets revaluation reserve
This reserve includes the cumulative net change in the fair value of investments designated as at FVOCI from 1 July 2018, and the cumulative net change in the fair value of investments previously classified 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	Financial assets revaluation $'000	Investment property revaluation $'000	Hedging $'000	Share-based payments $'000	Foreign currency translation $'000	Total $'000
At 1 July 2018	14,691	5,121	8	33,877	11,199	64,896
Movement in fair value of investments designated as at FVOCI – net of tax	(2,155)	–	–	–	–	(2,155)
Movement in fair value of cash flow hedging instruments – net of tax	–	–	(19)	–	–	(19)
Amount recognised in the Income Statement as an employee expense	–	–	–	2,625	–	2,625
Currency translation adjustment on controlled entities' financial statements	–	–	–	–	8,598	8,598
At 30 June 2019	12,536	5,121	(11)	36,502	19,797	73,945

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 2019, the Group had drawn $376,909,000 (2018: $375,540,000) under the debt facilities, of which $nil (2018: $nil) was subject to interest rate swaps used for hedging, and had drawn $2,927,000 under the credit support facility (2018: $2,939,000).

Other facility – secured
Certain wholly-owned German subsidiaries have arranged a secured five year guarantee facility of €17,000,000 (A$27,548,000) (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 2019, the Group had drawn €14,066,000 (A$22,793,000) under the facility.

4.4 – LOANS, BORROWINGS AND FINANCING ARRANGEMENTS (continued)	2019 $'000	2018 $'000
Current		
Non-interest bearing loans and borrowings		
Loans from other companies – unsecured	–	1,127
	–	1,127
Non-current		
Interest bearing loans and borrowings		
Bank loans – secured	376,909	375,540
Deferred financing costs	(614)	(1,173)
	376,295	374,367
Non-interest bearing loans and borrowings		
Loans from other companies – unsecured	859	1,988
	377,154	376,355

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.

Investments designated as at fair value through other comprehensive income ("FVOCI")

The Group holds equity securities in Carlton Investments Limited, a company listed on the ASX. As at 1 July 2018, the Group designated these investments as at FVOCI. These investments were previously classified as available-for-sale.

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 designated as at FVOCI, are measured at fair value. Investments designated as at FVOCI 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.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

	2019 $'000	2018 $'000
Equity investments as at FVOCI		
Investment in a listed company	78	20,924

During the year, the Group completed a sale of its ordinary shareholding in Carlton Investments Limited (see Note 6.2). The Group has retained its preference shareholding in Carlton Investments Limited.

No reasonably possible change in the share price of this company would have a material effect on the investment balance or the related revaluation reserve at the reporting date.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

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 2019, 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.

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.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

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
2019							
Non-derivative financial liabilities							
Secured bank loans	376,909	(386,989)	(4,715)	(4,281)	(377,993)	-	-
Unsecured non-interest bearing loans from other companies	859	(859)	-	-	-	-	(859)
Trade payables	23,767	(23,767)	(23,767)	-	-	-	-
Other payables and accruals	60,855	(60,855)	(60,855)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts	16	(16)	(16)	-	-	-	-
	462,406	(472,486)	(89,353)	(4,281)	(377,993)	-	(859)
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 liabilities							
Forward exchange contracts	(11)	11	11	-	-	-	-
	485,591	(511,920)	(113,685)	(6,480)	(13,763)	(377,739)	(253)

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:

	2019 $'000	2018 $'000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	–
	–	–
Variable rate instruments		
Financial assets	64,869	87,355
Financial liabilities	(376,909)	(375,540)
	(312,039)	(288,185)

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 2019 (2018: 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 2019 (2018: 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:

	2019				2018			
	NZD $’000	**EUR $’000**	**GBP $’000**	**USD $’000**	**NZD $’000**	**EUR $’000**	**GBP $’000**	**USD $’000**
Cash and cash equivalents	221	3,334	648	1,104	387	4,956	199	1,143
Trade receivables	631	–	–	–	126	–	–	–
Secured bank loans	(66,909)	–	–	–	(71,540)	–	–	–
Trade payables	(1,838)	–	–	–	(298)	–	–	–
Gross balance sheet exposure	(67,895)	3,334	648	1,104	(71,325)	4,956	199	1,143
Forward exchange contracts	–	–	–	(16)	–	–	–	11
	–	–	–	(16)	–	–	–	11
Net exposure	(67,895)	3,334	648	1,088	(71,325)	4,956	199	1,154

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 2019 was $66,909,000 (2018: $71,540,000). A foreign exchange loss of $3,016,000 (2018: gain of $2,838,000) 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).

Investments designated as at FVOCI 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 combinations in the year ended 30 June 2019
There were no material business combinations in the year ended 30 June 2019.

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

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**	**2019 %**	**2018 %**
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)(f)	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)(f)	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	100
458 to 468 George Street Holding Trust		100	100
458 to 468 George Street Development Pty Limited		100	100
458 to 468 George Street Development Trust		100	100
Glenelg Theatres Pty Limited		100	100

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES (continued)	Note	Ownership interest 2019 %	Ownership interest 2018 %
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 2019 %	Ownership interest 2018 %
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 and, as disclosed in Note 2.4, the Group has entered into an agreement for the sale of its German cinema exhibition operation, CineStar, which includes the Group's German subsidiary companies. This sale is expected to be completed later in the 2019 calendar year.
(f) Two companies that are incorporated in and carry on business in The Netherlands are included within the agreement for the sale of its German cinema exhibition, CineStar (refer to Note 2.4).

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

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	**2019 $'000**	**2018 $'000**
Associates	116	114
Joint ventures	10,997	14,254
	11,113	14,368

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 2019 %	Ownership interest 2018 %	Investment carrying amount 2019 $'000	Investment carrying amount 2018 $'000	Contribution to operating profit 2019 $'000	Contribution to operating profit 2018 $'000
Browns Plains Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	(a) 50	(a) 50	672	750	(78)	(66)
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	(b) 50	(b) 50	–	1,295	–	767
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	(b) 50	(b) 50	–	710	–	829
Rydges Latimer Holdings Limited	Hotel owner	New Zealand	16	16	3,889	3,461	546	471
Loganholme Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	50	50	6,436	7,842	94	405
Red Carpet Cinema Communication GmbH & Co. KG	Event management	Germany	(b) 50	(b) 50	–	196	–	(105)
					10,997	14,254	562	2,301

(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%.

(b) These companies are incorporated in Germany. The Group's investment in these companies has been reclassified to assets held for sale; see Note 2.4.

Dividends received from joint ventures for the year ended 30 June 2019 amount to $2,340,000 (2018: $2,252,000). 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 2019 %	Ownership interest 2018 %	Investment carrying amount 2019 $'000	Investment carrying amount 2018 $'000	Contribution to operating profit 2019 $'000	Contribution to operating profit 2018 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	Australia	50	50	116	114	3	(33)
DeinKinoticket GmbH	Operator of DeinKinoticket website	Germany	(a) 24	(a) 24	–	–	–	–
Digital Cinema Integration Partners Pty Limited	Administration	Australia	48	48	–	–	–	–
Digital Cinema Integration Partners NZ Pty Limited	Administration	New Zealand	(b) 60	(b) 60	–	–	–	–
Movietimes Australia and New Zealand Pty Limited	Operator of Movietimes website	Australia	(b) 53	(b) 53	–	–	–	–
					116	114	3	(33)

(a) This company is incorporated in Germany. The Group's investment in this company has been reclassified to assets held for sale; see Note 2.4.

(b) 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 2019 amount to $nil (2018: $nil). The balance date of each of the Group's associates is 30 June.

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:

Name	Principal activities	Country of operation	Ownership interest 2019 %	Ownership interest 2018 %
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:

	2019 $'000	2018 $'000
Within one year	37,817	32,785
Later than one year but not later than five years	85,244	87,091
Later than five years	109,091	106,562
	232,152	226,438

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, February 2018 and February 2019.

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 (see 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 Binomial tree model and a Monte Carlo simulation model and 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
2019						
Performance rights	18 February 2016	467,218	-	(291,625)	(175,593)	-
Performance rights	16 February 2017	524,345	-	-	(39,336)	485,009
Performance rights	15 February 2018	544,102	-	-	(65,878)	478,224
Performance rights	21 February 2019	-	470,648	-	(24,740)	445,908
		1,535,665	470,648	(291,625)	(305,547)	1,409,141
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

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 2019 was $11.21 (2018: $11.82) for those rights that have EPS hurdles and $5.11 (2018: $6.80) 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 21 February 2019	Granted 15 February 2018	Granted 16 February 2017
Dividend yield (per annum)	4.15%	4.0%	4.2%
Expected volatility	20%	20%	19%
Risk-free rate (per annum)	1.62%	2.07%	1.92%
Share price	$12.46	$13.09	$12.38
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. 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
2019	Performance shares	343,300	–	(139,807)	–	203,493
2018	Performance shares	1,070,991	–	(727,691)	–	343,300

No performance shares were granted during the year ended 30 June 2019 (2018: nil).

Share-based payment expense
Total share-based payment expense included within employee expenses for the year ended 30 June 2019 was $2,625,000 (2018: $2,948,000).

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:

	2019 $'000	2018 $'000
Superannuation contributions recognised as an employee expense	17,764	16,544

SECTION 6 – EMPLOYEE BENEFITS AND RELATED PARTY TRANSACTIONS

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	18
CEO and other executive remuneration	19
Fixed annual remuneration	19
Variable remuneration – short term incentive	19
Variable remuneration – long term incentive	20
Employment contracts	22
Directors' and executives' position and period of responsibility	23
Directors' and executives' remuneration	24
Performance rights holdings and transactions	28
Performance share holdings and transactions	29
Equity holdings and transactions	30

Key management personnel remuneration

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

	2019 $	2018 $
Employee benefits		
Short term	7,293,053	5,613,036
Other long term	82,082	50,720
Termination payments	271,660	–
Equity compensation	1,161,613	985,953
Post employment	217,360	213,740
	9,025,768	6,863,449

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 $22,954 (2018: $21,368). The Company previously held ordinary shares in Carlton Investments Limited, and continues to hold preference shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $793,023 (2018: $755,213), comprised of $787,711 (2018: $749,901) from ordinary shares and $5,312 (2018: $5,312) from preference shares.

Following a strategic review of the Group's assets, the Board resolved (with AG Rydge absenting) to consider a divestment of the Group's shares in Carlton Investments Limited, and on 22 March 2019 the Group completed a sale of its ordinary shareholding. A total of 630,169 ordinary shares were sold at $28.50 per share, representing a discount of 7.8% to the ASX closing price on that date. The sale was conducted by a broker on behalf of the Group, and the Board (with AG Rydge absenting) obtained independent advice regarding the sale process including the acceptable range of discounts to the ASX share price. Of the ordinary shares sold by the Group, a total of 495,082 shares was acquired by AG Rydge, with the remaining shares acquired by unrelated third parties.

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $102,976 (2018: $101,539). 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.

6.3 – RELATED PARTIES

Relationships with associates
Transactions with associates included the receipt of property rental income from an associate of $69,000 (2018: $60,000). Costs paid on behalf of an associate totalled $89,000 (2018: $92,000) and these costs were not refundable (2018: $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 $6,148,000 (2018: $5,410,000) from continuing operations.

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 2019 was $88,684,000 (2018: $82,791,000) from continuing operations.

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:

	2019 $'000	2018 $'000
Operating lease commitments – as lessee (continuing operations)		
Future minimum operating lease rentals not provided for and payable:		
Within one year	47,793	40,059
Later than one year but not later than five years	131,441	110,284
Later than five years	192,145	147,579
	371,379	297,922
Operating lease commitments – as lessee (discontinued operations)		
Future minimum operating lease rentals not provided for and payable:		
Within one year	60,664	60,689
Later than one year but not later than five years	158,186	160,961
Later than five years	71,402	81,288
	290,252	302,938

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.

SECTION 7 – OTHER INFORMATION

7.1 – COMMITMENTS AND LEASES (continued)

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

Sub-lease receivables – as lessor (continuing operations)	**2019 $'000**	**2018 $'000**
Future lease receivables in relation to sub-leases of property space under operating leases not recognised and receivable:		
Within one year	7,367	7,446
Later than one year but not later than five years	28,706	29,029
Later than five years	232,120	239,164
	268,193	275,639
Operating leases – as lessor (continuing operations)		
Future operating lease rentals for owned properties not recognised and receivable:		
Within one year	16,746	16,002
Later than one year but not later than five years	44,221	43,067
Later than five years	11,912	13,705
	72,879	72,774

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

	2019 $'000	**2018 $'000**
Reconciliation of profit for the year to net cash provided by operating activities		
Profit for the year	111,889	111,910
Adjustments for:		
Depreciation and amortisation	72,320	77,862
Loss on disposal of non-current assets	580	820
Impairment adjustments	(8,856)	18,525
Fair value increment of investment properties	(1,931)	(5,750)
Equity accounted investment dividends	2,340	2,252
Share of equity accounted investees' net profit	(1,692)	(2,268)
Share-based payments expense	2,621	2,948
Receivables impairment adjustment	40	2
Unrealised foreign exchange gains	(115)	(312)
Net cash provided by operating activities before change in assets and liabilities	177,196	205,989

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

	2019 $'000	2018 $'000
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:		
(Increase)/decrease in trade and other receivables	(8,166)	478
Increase in inventories	(24)	(1,014)
Decrease/(increase) in prepayments and other current assets	6,371	(5,996)
Increase/(decrease) in deferred tax items	(19,944)	2,018
Increase in income taxes payable	24,273	705
(Decrease)/increase in trade and other payables	(9,200)	1,397
Increase in provisions	1,518	1,595
Increase in other liabilities	1,816	1,712
(Decrease)/increase in deferred revenue	(2,434)	664
(Decrease)/increase in financing costs payable	(37)	201
Net cash provided by operating activities	171,369	207,749

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.

7.4 – AUDITORS' REMUNERATION	2019 $	2018 $
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial statements	1,211,000	1,276,000
Other assurance services	198,030	337,663
Overseas KPMG firms		
Audit and review of financial statements	431,000	407,000
Other assurance services	130,293	103,717
	1,970,323	2,124,380
Other auditors		
Audit and review of financial statements	61,841	58,960
	61,841	58,960
	2,032,164	2,183,340
Other services:		
Auditors of the Group – KPMG Australia		
Tax compliance and advice	233,796	239,184
Segment disposal – tax advice	617,102	–
Other services	220,000	233,346
	1,070,898	472,530
Overseas KPMG firms		
Tax compliance and advice	424,732	245,243
Other auditors		
Tax compliance and advice	–	18,507
Other services	11,667	8,240
	11,667	26,747
	1,507,297	744,520

7.5 – PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2019, the parent entity of the Group was EVENT Hospitality & Entertainment Limited.

	2019 $'000	2018 $'000
Results of parent entity		
Profit for the year	68,446	73,309
Other comprehensive income for the year	(974)	1,883
Total comprehensive income for the year	67,472	75,192
Financial position of parent entity at year end		
Current assets	1,630	6,055
Total assets	396,401	394,209
Current liabilities	28,576	6,867
Total liabilities	28,863	11,856
Net assets	367,538	382,353
Total equity of parent entity comprises:		
Share capital	219,126	219,126
Financial assets revaluation reserve	12,536	14,691
Share-based payments reserve	36,501	33,877
Retained earnings	99,375	114,659
Total equity	367,538	382,353
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	60,029	51,291
Later than one year but not later than five years	99,730	66,535
Later than five years	114,087	49,756
	273,846	167,582
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	41,212	37,794
Later than one year but not later than five years	108,314	105,990
Later than five years	162,471	150,481
	311,997	294,265
	585,843	461,847

7.5 – PARENT ENTITY DISCLOSURES (continued)

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 2019, refer to Note 4.2.

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 2019 respectively are set out on the following page:

7.7 – DEED OF CROSS GUARANTEE (continued)	2019 $'000	2018 $'000
Statement of Comprehensive Income		
Profit before tax	125,421	130,423
Income tax expense	(38,511)	(41,480)
Profit for the year	86,910	88,943
Retained earnings at the beginning of the year	595,238	589,859
Adjustment to opening retained earnings	127	–
Dividends paid	(83,731)	(83,564)
Retained earnings at the end of the year	598,544	595,238
Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	31,335	32,361
Trade and other receivables	32,062	26,740
Inventories	16,338	16,011
Prepayments and other current assets	8,629	14,039
Total current assets	88,364	89,151
Non-current assets		
Trade and other receivables	1,542	1,042
Loans to controlled entities	168,384	161,630
Other financial assets	1,086	1,393
Other investments	78	20,924
Investments in controlled entities	71,227	71,227
Investments accounted for using the equity method	7,220	8,706
Property, plant and equipment	1,030,665	1,006,656
Investment properties	76,200	74,000
Goodwill and other intangible assets	65,042	67,780
Deferred tax assets	28,850	2,525
Other non-current assets	1,663	913
Total non-current assets	1,451,957	1,416,796
Total assets	1,540,321	1,505,947
LIABILITIES		
Current liabilities		
Trade and other payables	57,644	59,663
Current tax liabilities	30,528	4,384
Provisions	18,484	16,888
Deferred revenue	50,806	56,161
Other current liabilities	3,403	3,753
Total current liabilities	160,865	140,849
Non-current liabilities		
Loans from controlled entities	113,698	109,981
Other loans and borrowings	377,154	375,226
Provisions	9,765	8,957
Deferred revenue	8,611	5,519
Other current liabilities	3,900	–
Total non-current liabilities	513,128	499,683
Total liabilities	673,993	640,532
Net assets	866,328	865,415
EQUITY		
Share capital	219,126	219,126
Reserves	48,658	51,051
Retained earnings	598,544	595,238
Total equity	866,328	865,415

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 32 to 96 and the Remuneration Report in the Directors' Report set out on pages 18 to 30, 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 2019 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 2019.

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 22nd day of August 2019.

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 2019 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 2019;
- 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; and
- 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

The ***Key Audit Matter*** we identified is:

- Asset valuation – Hotel and cinema Property, Plant and Equipment Assets

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

Asset Valuation – Hotel and Cinema Property, Plant and Equipment Assets ($1,276m)	
Refer to Note 3.3 to the Financial Report	
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 72% of total assets); and
• the high level of judgement required by us in assessing the significant judgements used by the Group to assess the appropriateness of carrying value of property, plant and equipment.
 	
There are a number of judgements made by the Group and their external independent 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 and discount rates. These forward-looking estimations and the current market conditions increase the range of possible outcomes and the complexity for the audit.
 	
The Group uses a combination of external valuation experts who are engaged every three years to value owned properties and internal analysis to determine asset valuations. Cinemas and hotels were last externally valued at 30 June 2018.
 	
Internal analysis was prepared by the Group to assess for indicators of impairment to cinema and hotel cash generating units (CGUs). Where an indicator of impairment was present the Group calculated its recoverable value and compared it to its carrying amount.
	Our procedures included:
	• Assessing the methodology used by the Group in the context of the requirements of the *Australian Accounting Standards*.
	• Evaluating the controls over the approval of the budget and quarterly forecast.
	• For cinemas we:
	  • Assessed each cash generating unit (CGU) for indicators of impairment based on business performance.
	  • Analysed the discounted cash flow model and the recoverable value for CGUs with indicators of impairment.
	  • Assessed the mathematical accuracy of the cash flow model.
	  • Assessed the basis for the cash flow forecast including the lease terms and consideration of the historical accuracy of previous forecasts.
	  • Performed sensitivity analysis over the discount rate and growth rate in the cash flow model.
	  • Compared amounts in the cash flow model to Board approved budgets.
	• For hotels we:
	  • Assessed each hotel for indicators of impairment based on its performance against expected EBITDA results which were factored into the 30 June 2018 external valuation and the available headroom.
	  • Recalculated the 30 June 2018 external valuation amount using the actual EBITDA for the year to 30 June 2019 when results did not meet forecasted EBITDA to assess for indicators of impairment.
	• Evaluating the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

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 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; and
- 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 2019, 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 18 to 30 of the Directors' report for the year ended 30 June 2019.

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

KPMG

Anthony Travers
Partner

Sydney
22 August 2019

KPMG

Tracey Driver
Partner

Sydney
22 August 2019