# Ardent Leisure Group Limited

# Annual Financial Report
## for the year ended 29 June 2021

The financial report was authorised for issue by the Directors of Ardent Leisure Group Limited (ABN 51 628 881 603) on 25 August 2021. The Directors have the power to amend and reissue the financial report.

# Message from the Chairman

Dear Shareholders,

I am pleased to present the Annual Report of Ardent Leisure Group Limited for the year ended 29 June 2021.

During the year, the significant impacts of COVID-19 on the travel, leisure, tourism and entertainment sectors continued to impact the Group.

After initially closing its US venues in March 2020, the Group started the year with 38 of its 43 Main Event centres reopened, and the addition of one new site which opened in July 2020.

In Australia, SkyPoint and Dreamworld reopened in July and September 2020 respectively, after Government restrictions had eased and the Group secured funding for the Australian operations from the Queensland Government in August 2020.

Despite the enormous challenges and disruptions presented by the pandemic throughout the year, it has been pleasing to see that the results of the Group have improved compared to the prior year.

In the United States, Main Event's operations were impacted by a second wave of the pandemic which forced the re-closure of five of its sites for several weeks in November/December 2020, with local restrictions also affecting the operations of several other sites throughout the year. Notwithstanding these setbacks, it has been very encouraging to see Main Event rebound strongly during the second half of the year, as the business benefitted from various positive macro factors such as pent-up demand, Government stimulus payments and an accelerated vaccination rollout. We are optimistic that this momentum in trading will continue into FY22.

Our partnership with Redbird Capital Partners, who invested US$80.0 million for a 24.2% interest in Main Event in June 2020, remains excellent. The recent strong performance in Main Event has reinforced our mutual confidence in the future potential of the business and has further strengthened its liquidity position.

Main Event is well positioned for further recovery and growth, with four new centre openings in FY22.

In Australia, the Theme Parks business has continued to be significantly impacted by the COVID-19 related restrictions on international and state borders as well as a series of snap lockdowns, which have adversely affected attendances throughout the year. The unpredictability of these restrictions unfortunately brought a premature end to the Christmas and Easter holidays which are typically the most material trading periods for the division. Despite these challenges, the business has responded with initiatives to maximise volume within the local drive market, including pricing and activations strategies which have helped to deliver strong annual pass sales and positive guest sentiment.

The $69.9 million financial assistance package (comprising a $63.7 million three-year term loan and grants of $6.2 million) obtained from Queensland Treasury Corporation in August has provided sufficient liquidity for the business to fund working capital and capital projects, such as the new Steel Taipan roller-coaster which is expected to open towards the end of 2021.

During the year, Greg Yong was appointed as the new Chief Executive Officer of Theme Parks, taking over from John Osborne in April 2021. John has been a much valued colleague since his appointment in November 2018 and he has made an enormous contribution to the restoration of value at our Theme Parks business.

Prior to assuming the role as CEO, Greg was the Chief Operating Officer of our Theme Parks business and had worked closely with John on all aspects of the business over the prior two years, ensuring a seamless transition of roles. Greg is an accomplished executive with an extensive background in the theme park industry, having spent many years with Village Roadshow Theme Parks, and this wealth of experience in the industry is proving to be highly beneficial to Ardent.

Our outlook for the business remains positive, underpinned by the rollout of vaccinations in Australia, the expected opening of the new Steel Taipan rollercoaster and pent-up demand in local and interstate markets. The recent announcement that the 2032 Olympics will be hosted in Brisbane is also exciting news as we believe it will invigorate the South East Queensland region.

# Message from the Chairman

The Group's cash preservation strategy remained robust across the divisions amidst the pandemic. Our net leverage ratio was well below the covenant required by our US lenders in June 2021, which was a great achievement reflecting strong liquidity in the US business. This has demonstrated management's disciplined approach in controlling operating costs and capital expenditure to mitigate the impact of COVID-19 on the Group's performance and cash flows.

Our priority continues to be on ensuring the health and safety of our guests and team members, with robust safety protocols and COVID Safe plans in place. While we expect uncertainty from the pandemic and associated governmental restrictions to continue for the remainder of this calendar year, we are confident that Ardent is well positioned for future growth once market conditions begin to improve.

On behalf of the Board, I would like to thank all our team members for their efforts this year. Their continued hard work, commitment and resilience in challenging conditions is very much appreciated.

**Dr Gary Weiss AM**
*Chairman*
Ardent Leisure Group Limited

# Annual Financial Report

# Directors' Report

The Directors of Ardent Leisure Group Limited (Company) present their report together with the consolidated financial report of the Company and its controlled entities (collectively, the Group) for the year ended 29 June 2021 (FY21).

Ardent Leisure Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are Suite 601, Level 6, 83 Mount Street, North Sydney NSW 2060.

## 1. Directors

The following persons have held office as Directors of the Company during the period and up to the date of this report unless otherwise stated:

Gary Weiss AM;
David Haslingden;
Randy Garfield; and
Brad Richmond.

## 2. Principal activities

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

## 3. Dividends and distributions

No dividend was paid or declared for the half year ended 29 December 2020 (31 December 2019: Nil) or has been paid or declared for the year ended 29 June 2021 (30 June 2020: Nil).

## 4. Operating and financial review

### Overview

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

### Theme Parks funding

On 7 August 2020, the Group announced that it had received financial assistance for its Theme Parks business under the Queensland Government's COVID-19 Industry Support Package and Queensland Tourism Icons Program 2020.

The financial assistance package totalling $69.9 million comprises a three-year secured loan facility of $63.7 million and grants of $6.2 million. This funding is mutually exclusive from the debt facility in place for the Group's US Main Event business.

### Queensland Work Health and Safety prosecution

On 21 July 2020 the Queensland Work Health and Safety Prosecutor filed three charges against a subsidiary of the Company, Ardent Leisure Limited (ALL), pursuant to section 32 of the *Work Health and Safety Act 2011 (Qld)* in relation to the 2016 Thunder River Rapids ride incident. ALL pleaded guilty to all three charges on 29 July 2020.

On 28 September 2020, the prosecution in relation to the tragedy was finalised, with the Group accepting the Court's decision to impose a fine of $3.6 million for breaches of the *Work Health and Safety Act 2011 (Qld)*.

### Shareholder class action

On 18 June 2020, the Company was served with a representative shareholder class action arising from the 2016 Dreamworld tragedy. The claim alleges contraventions of the *Corporations Act 2001 (Cth)*. The plaintiff has not provided any expert valuation opinion to quantify its claim, therefore the Company cannot provide any meaningful or indicative estimate of the quantum of any potential liability (if any). The Company has previously indicated (and maintains) that it believes the proceedings to be without merit and it will vigorously defend them.

The Company maintains appropriate insurances to respond to litigation and the majority of associated costs.

### Dreamworld resort hotel and tourist park

As announced on 5 May 2021, the Group entered into a non-binding and conditional agreement for a developer to fund and build an accommodation precinct on part of the surplus land owned by the Group adjacent to the park. The negotiation of this project is continuing as the Group also explores additional options to maximise the value of its surplus land holdings.

## 4. Operating and financial review (continued)

### Group results

The performance of the Group, as represented by the aggregated results of its operations for the period from 1 July 2020 to 29 June 2021 (364 days), was as follows:

| 1 July 2020 to 29 June 2021 | Main Event $'000 | Theme Parks $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Segment revenue** | **354,655** | **36,012** | **-** | **390,667** |
| **Segment EBITDA** | **84,302** | **(11,097)** | **(5,927)** | **67,278** |
| Depreciation and amortisation | (52,720) | (7,710) | (306) | (60,736) |
| Amortisation of lease assets | (24,837) | (64) | (110) | (25,011) |
| **Segment EBIT** | **6,745** | **(18,871)** | **(6,343)** | **(18,469)** |
| Borrowing costs | | | | (34,762) |
| Lease liability interest expense | | | | (34,350) |
| Interest income | | | | 37 |
| **Loss before tax** | | | | **(87,544)** |
| Income tax benefit | | | | 611 |
| **Net loss after tax** | | | | **(86,933)** |
| **The segment EBITDA above has been impacted by the following specific items:** | | | | |
| Net impairment of property, plant and equipment and lease right-of-use assets | (4,089) | - | - | (4,089) |
| Early termination of leases | (1,308) | - | - | (1,308) |
| Pre-opening expenses | (578) | - | - | (578) |
| Dreamworld incident costs, net of insurance recoveries | - | (850) | - | (850) |
| Restructuring and other non-recurring items | (4,168) | - | 50 | (4,118) |
| Lease payments no longer recognised in EBITDA under AASB 16 *Leases* | 47,710 | 85 | 156 | 47,951 |
| Net loss on disposal of assets | (272) | (11) | (30) | (313) |
| | **37,295** | **(776)** | **176** | **36,695** |
| **The net loss after tax above has also been impacted by the following specific items:** | | | | |
| Lease asset amortisation and lease interest expense recognised under AASB 16 *Leases* | (59,183) | (65) | (113) | (59,361) |
| Tax losses for which deferred tax asset not recognised | (10,086) | (5,654) | (1,955) | (17,695) |
| Tax deductible temporary differences for which deferred tax asset not recognised | - | 649 | (49) | 600 |
| Tax impact of specific items listed above | 4,597 | 252 | (19) | 4,830 |
| | **(64,672)** | **(4,818)** | **(2,136)** | **(71,626)** |

# Directors' Report

## 4. Operating and financial review (continued)

### Group results (continued)

The performance of the Group, as represented by the aggregated results of its operations for the prior period from 26 June 2019 to 30 June 2020 (371 days), was as follows:

| 26 June 2019 to 30 June 2020 | Main Event $'000 | Theme Parks $'000 Restated(1) | Corporate $'000 | Total $'000 Restated(1) |
|---|---|---|---|---|
| **Segment revenue** | **343,807** | **54,508** | **-** | **398,315** |
| **Segment EBITDA** | **55,268** | **(24,338)** | **(5,598)** | **25,332** |
| Depreciation and amortisation | (55,315) | (9,828) | (497) | (65,640) |
| Amortisation of lease assets | (28,282) | (96) | (124) | (28,502) |
| **Segment EBIT** | **(28,329)** | **(34,262)** | **(6,219)** | **(68,810)** |
| Borrowing costs | | | | (27,614) |
| Lease liability interest expense | | | | (36,568) |
| Interest income | | | | 680 |
| **Loss before tax** | | | | **(132,312)** |
| Income tax expense | | | | (3,783) |
| **Net loss after tax** | | | | **(136,095)** |
| **The segment EBITDA above has been impacted by the following specific items:** | | | | |
| Valuation gain on investment held at fair value | - | - | 390 | 390 |
| Impairment of property, plant and equipment and lease right-of-use assets | (2,015) | (15,407) | - | (17,422) |
| Early termination of leases | (2,758) | - | - | (2,758) |
| Pre-opening expenses | (4,175) | - | - | (4,175) |
| Dreamworld incident costs, net of insurance recoveries | - | 2,827 | - | 2,827 |
| Restructuring and other non-recurring items | (5,920) | (779) | (253) | (6,952) |
| Lease payments no longer recognised in EBITDA under AASB 16 *Leases* | 48,258 | 107 | 128 | 48,493 |
| Net gain/(loss) on disposal of assets | 2,535 | (3,330) | - | (795) |
| | **35,925** | **(16,582)** | **265** | **19,608** |
| **The net loss after tax above has also been impacted by the following specific items:** | | | | |
| Lease asset amortisation and lease interest expense recognised under AASB 16 *Leases* | (64,837) | (101) | (132) | (65,070) |
| Tax losses for which deferred tax asset not recognised | (7,951) | (2,639) | (17,186) | (27,776) |
| Tax deductible temporary differences for which deferred tax asset not recognised | - | (8,905) | - | (8,905) |
| Tax impact of specific items listed above | 6,072 | 5,005 | (40) | 11,037 |
| | **(66,716)** | **(6,640)** | **(17,358)** | **(90,714)** |

(1) The amounts disclosed are restated for the change in accounting policy disclosed in Note 16(a) to the Financial Statements.

The Group reported a net loss after tax of $86.9 million for the year ended 29 June 2021 (comprising 52 weeks), representing an improvement compared to a net loss of $136.1 million in the prior year (comprising 53 weeks). This was despite the Group's businesses, as well as the broader travel, tourism and entertainment sectors being impacted by the pandemic throughout FY21.

Total segment revenue for the Group (excluding other income from government grants/subsidies and insurance recoveries) of $390.7 million decreased by $7.6 million in the year, driven primarily by lower visitation in the Australian Theme Parks venues, partially offset by strong recovery in Main Event with all centres being progressively reopened by the end of the financial year.

## 4. Operating and financial review (continued)

### Group results (continued)

In addition to trading disruptions due to COVID-19, the Group's results were impacted by a number of significant items. Nevertheless, disciplined control of operating costs across the Group and recovery in the US business during the second half of FY21 have mitigated the impact of COVID-19 on the Group's result. Consequently, total EBITDA increased by $42.0 million, from $25.3 million in FY20 to $67.3 million in FY21.

The year-on-year performance of the Group was driven predominantly by the following factors:

- Increased revenue and EBITDA in Main Event due to incremental revenue from new centres that were opened in FY20 and FY21, the lapping of initial closure of all centres in March 2020, as well as positive momentum in the US consumer sectors during the latter half of FY21, partly offset by adverse foreign exchange movements in the year;
- $15.5 million (2020: $6.0 million) government support funding being received by the Australian businesses, primarily under the Australian Federal Government's JobKeeper wage subsidy programme which ended in March 2021;
- A $13.3 million decline in impairment losses on property, plant and equipment and lease right-of-use assets. The current year includes a $4.1 million impairment of lease right-of-use assets relating to a Main Event centre (2020: $1.6 million) whereas the prior year included $15.4 million and $0.4 million impairment of property, plant and equipment in Theme Parks and Main Event respectively, predominantly due to the impact of COVID-19 on trading performance and near term outlook;
- A $3.6 million decrease in pre-opening expenses, with one new Main Event centre being opened during the current year;
- A $2.8 million reduction in restructuring and other non-recurring items due to the prior year being more heavily impacted by several one-off expenses relating to restructuring and capital management activities, as well as the emergence of COVID-19;
- A $1.5 million decrease in costs associated with the early termination of Main Event leases;
- A reduction in depreciation and amortisation of $4.9 million and decline in amortisation of US lease assets of $3.5 million due to prior impairment of assets and foreign exchange movements;
- A decrease in US lease interest of $2.2 million mainly due to foreign exchange movements; and
- A $4.4 million improvement in tax benefit/expense due to:
  - A $19.6 million decrease in tax expense associated with Australian and US tax losses and Australian deductible temporary differences for which deferred tax assets have not been recognised. The recoverability of these losses and temporary differences against future taxable income is not currently considered probable under AASB 112 *Income Taxes*; and
  - A decrease in partially offsetting tax benefit arising in the current year due to the decline in reported pre-tax losses.

The above factors were partly offset by:

- Reduced revenue and EBITDA in Theme Parks due to COVID-19, with international and domestic travel restrictions, as well as a series of snap lock downs severely impacting trading performance. Dreamworld and Whitewater World were reopened on 16 September 2020 following the initial closure on 23 March 2020;
- A $3.7 million increase in costs relating to the Dreamworld incident, net of insurance recoveries, from an income of $2.8 million in FY20 to an expense of $0.9 million in FY21; and
- An increase in borrowing costs of $7.1 million mainly due to a full period of interest in respect of the Redbird funding, amortisation of capitalised borrowing costs incidental to the Redbird transaction and incremental borrowing costs related to the new Queensland Government loan. This is partially offset by the prior year being adversely impacted by one-off costs associated with a reduction in Main Event's debt facility and covenant waivers.

Contents

Directors' Report

Consolidated Financial Statements

Notes

Appendices

# Directors' Report

## 4. Operating and financial review (continued)

### Main Event

The performance of Main Event, in US dollars, is summarised as follows:

| | 2021 US$'000 | 2020 US$'000 | Change % |
|---|---|---|---|
| Total revenue | 266,871 | 232,756 | 14.7 |
| **EBRITDA[(1)]** | **76,832** | **51,352** | **49.6** |
| Property costs | (12,518) | (13,716) | (8.7) |
| **EBITDA** | **64,314** | **37,636** | **70.9** |
| Depreciation and amortisation | (57,895) | (56,153) | 3.1 |
| **EBIT** | **6,419** | **(18,517)** | **(134.7)** |

(1) Earnings before property costs (predominantly land taxes and maintenance costs), interest, tax, depreciation and amortisation.

| | Revenue 2021 US$'000 | Revenue 2020 US$'000 | Change % | EBRITDA 2021 US$'000 | EBRITDA 2020 US$'000 | Change % |
|---|---|---|---|---|---|---|
| Constant centres[(1)] | 221,247 | 191,304 | 15.7 | 103,653 | 78,145 | 32.6 |
| Non-constant centres | 35,141 | 35,981 | (2.3) | 13,342 | 12,520 | 6.6 |
| New centre opened in FY21 | 10,483 | - | | 5,867 | - | |
| Centres closed | - | 5,471 | (100.0) | (7) | 834 | (100.8) |
| Corporate and regional office expenses/sales and marketing | - | - | | (39,187) | (33,696) | 16.3 |
| Other specific items | - | - | | (6,836) | (6,451) | 6.0 |
| **Total** | **266,871** | **232,756** | **14.7** | **76,832** | **51,352** | **49.6** |

(1) Constant centres include all centres that had been operational for 18 months at the beginning of the current financial year, but excluding centres:
i) that were permanently closed in FY20 (Pittsburgh in January 2020 and Indianapolis in June 2020),
ii) that were closed at the beginning of the year, for the period until re-opening; and
iii) that were re-closed for more than one week in FY21, for the period subsequent to re-closure

During the year, total US dollar revenue of US$266.9 million was 14.7% higher than prior year, driven primarily by incremental revenue from new centres that were opened in FY20 and FY21, the lapping of initial closure of all centres in March 2020, and growth in constant centres exceeding pre-COVID levels as the business benefitted from macro factors such as pent-up demand, government stimulus and the accelerated US vaccine rollout during the second half of FY21. This was partially offset by soft trading performance during the first eight months of the year, which includes a second wave of the pandemic in the US which resulted in five Main Event centres being re-closed in November/December 2020 and several centres being closed or operating at reduced hours in February 2021 due to winter storms. In addition, the prior year includes revenue contributions from two centres that were subsequently permanently closed. In Australian dollar terms, Main Event revenue increased by 3.2% on prior year, reflecting the movement in foreign exchange rates.

Following the initial site closures in March 2020, Main Event started the year with 38 operational centres and progressively reopened its remaining sites, with all centres opened by the end of the financial year. One new centre, Wesley Chapel opened in July 2020 and performed above expectations as the highest revenue centre. This brings the number of centres to 44 across 16 states as at 29 June 2021 (2020: 43 centres across 16 states). Pre-opening expenses of US$0.4 million in the year decreased by US$2.4 million compared to prior year due to less centre openings in the current year. Main Event reported EBITDA of US$64.3 million, up US$26.7 million or 70.9% on prior year as a result of increased revenue and the high operating leverage nature of the business. EBITDA in the current and prior year continued to be impacted by non-recurring restructuring expenses, non-cash impairment of lease assets, costs associated with early termination of leases and loss/gain on disposal of assets. Excluding Specific Items, EBITDA was US$36.5m in FY21, up US$22.9 million or 168.1% on prior year.

The strong momentum in trading performance during the second half of the year has significantly improved Main Event's liquidity and positioned the business well for future growth, with four new centre openings anticipated in FY22.

Management remains committed to ensuring the utmost safety of employees and guests in all centres as the US continues to address ongoing impacts from COVID-19.

## 4. Operating and financial review (continued)

### Theme Parks

The performance of the Theme Parks is summarised as follows:

| | 2021 $'000 | 2020 $'000 Restated(1) | Change % |
|---|---|---|---|
| Total revenue | 36,012 | 54,508 | (33.9) |
| **EBRITDA(2)** | **(10,438)** | **(23,684)** | **(55.9)** |
| Property costs | (659) | (654) | 0.8 |
| **EBITDA** | **(11,097)** | **(24,338)** | **(54.4)** |
| Depreciation and amortisation | (7,774) | (9,924) | (21.7) |
| **EBIT** | **(18,871)** | **(34,262)** | **(44.9)** |
| Attendance | 743,860 | 1,153,296 | (35.5) |
| Per capita spend ($) | 48.41 | 47.26 | 2.4 |

(1) The amounts disclosed are restated for the change in accounting policy disclosed in Note 16(a) to the Financial Statements.
(2) Earnings before property costs (predominantly land taxes and council rates), interest, tax, depreciation and amortisation.

The Theme Parks business, consisting of Dreamworld, WhiteWater World and SkyPoint, reported trading revenue of $36.0 million for the year, down 33.9% on prior year mainly due to the pandemic, with SkyPoint and Dreamworld/WhiteWater World being reopened on 10 July 2020 and 16 September 2020, respectively. This, along with ongoing international and domestic border restrictions and a series of snap lock downs, led to a decline in attendance and revenue compared to the prior year. The lockdowns brought a premature end to the peak Christmas and Easter holiday trading periods for the business.

The COVID-19 impact was partially offset by the division receiving $15.3 million government support, primarily under the Australian Federal Government's JobKeeper subsidy programme which ended in March 2021 (2020: $5.9 million).

The division recorded an EBITDA loss of $11.1 million, compared to a loss of $24.3 million in the prior year mainly due to the prior period being adversely impacted by $15.4 million non-cash impairment losses relating to the Dreamworld and SkyPoint properties and $0.8 million non-recurring costs associated with COVID-19. In addition, there was a $3.3 million reduction in loss on disposal of assets in the current year, partially offset by a $3.7 million increase in Dreamworld incident costs, net of insurance recoveries.

Excluding Specific Items, the division recorded an EBITDA loss of $10.3 million, compared to a loss of $7.7 million in the prior period mainly as a result of reduced revenue and the largely semi fixed cost nature of the business. Nevertheless, the business has managed to reduce its cost base compared to the prior period due to targeted cost savings.

Strong annual pass sales from the local drive market, a disciplined approach to capital expenditure and the JobKeeper wage subsidy have mitigated the impact of COVID-19 on cash flows. The preservation of cash, a focus on pricing and product for the local drive market and operating from a lower cost base has positioned the division well for a recovery when COVID-19 restrictions ease.

The business outlook remains optimistic supported by pent up demand in the local and interstate markets, the roll out of vaccines and the new Steel Taipan multi-launch rollercoaster which is anticipated to complete in Q2 FY22.

### Strategic focus

The common theme across the Group's assets is the provision of leisure and entertainment experiences. However, each business has its own unique strategic position and objectives, and is at different stages of evolution with discrete opportunities for growth and unlocking value.

#### *(i) Main Event*

Main Event's strategic goal is to become a leading customer experience-driven leisure and entertainment brand in the US. This business has expanded its number of centres rapidly over the last few years and management is focused on ensuring there is the appropriate balance between growth of existing business as well as new centre development through a disciplined real estate selection process.

The spread of COVID-19 and resulting business closures has had a significant impact on the liquidity of the business and this slowed new centre developments in the year. However, the partnership transaction with US-based private investment firm, RedBird Capital Partners (RedBird), which saw US$80.0 million invested into Main Event's US parent entity in June 2020, has enhanced the financial flexibility of Main Event and positioned the business for future growth.

# Directors' Report

## 4. Operating and financial review (continued)

### Strategic focus (continued)

#### *(i) Main Event (continued)*

The availability of quality sites in trade areas that the business wants to expand into, along with the long development process to construct a Main Event family entertainment centre, can cause variations in the number of centres opened in a given year. In conjunction with the business' new strategic partner, RedBird, management are continuing to look at strategic growth opportunities in existing markets as well as new trade areas. Furthermore, the business is continuing to explore ground-up developments as well as second-generation retail opportunities, including mall locations.

#### *(ii) Theme Parks*

The key focus is on driving attendance back to historic levels through a combination of "smart" capital investment, an event pipeline, developing new and unique attractions and food, retail and events products all of which provide opportunities to promote and target revisitation. Investments are targeted to drive visitation and must be economically responsible. This includes plans to install major new attractions at Dreamworld to increase visitation to the Theme Parks and drive average per capita spend.

The wellbeing of Dreamworld's staff also remains a key focus of management, with a number of wellness and support programs in place to assist individual team members with resilience and coping with challenging environments.

As previously communicated, the Group is committed to implementing all key recommendations arising from the Coronial Inquest.

The Group sees potential for considerable value in the excess land that sits around the Dreamworld site. The park currently occupies just over 50% of the land owned by the Group and the process to ascertain the best use of this land and optimise value for shareholders is ongoing. One of the proposals currently being considered by the Group includes the development of a resort style tourist park adjacent to Dreamworld.

## 5. Significant changes in the state of affairs

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

## 6. Interests in the Group

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

| | 2021 | 2020 |
|---|---|---|
| Shares on issue at the beginning of the year | 479,706,016 | 479,706,016 |
| **Shares on issue at the end of the year** | **479,706,016** | **479,706,016** |

## 7. Information on Directors

### Gary Weiss AM
Chair

***Appointed:***

Ardent Leisure Group Limited – 18 September 2018

Age: 68

Dr Weiss is currently the Executive Director of Ariadne Australia Limited. He is Chairman of Estia Health Limited and Cromwell Property Group and a Non-Executive Director of Thorney Opportunities Limited and Hearts and Minds Investments Limited.

Dr Weiss was appointed a Member (AM) of the Order of Australia in 2019 and is also a Commissioner of the Australian Rugby League Commission.

He was formerly Chairman of Ridley Corporation Limited, ClearView Wealth Limited and Coats Group Plc, is a former executive director of Whitlam, Turnbull & Co and Guinness Peat Group plc and sat on the board of Westfield Holdings Limited, Premier Investments Limited, Pro-Pac Packaging Limited, The Straits Trading Company Limited and a number of other public companies. Dr Weiss has also been involved in managing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance and private equity type deals.

Dr Weiss holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales.

Gary is Chair of the Safety & Risk Review Committee and a member of the Audit & Risk Committee and the Remuneration & Nomination Committee.

Gary is also Chairman of Ardent Leisure US Holding Inc, the parent entity for Main Event Entertainment.

***Former listed directorships in the last three years:***
Premier Investments Limited (11March 1994 to 28 July 2018)
Ridley Corporation Limited (21 June 2010 to 26 August 2020)
The Straits Trading Company Limited (1 June 2014 to 30 September 2020)

***Interest in shares:***
45,844,317

### David Haslingden
Director

***Appointed:***

Ardent Leisure Group Limited – 18 September 2018

Age: 60

David Haslingden brings to the Board considerable international business experience, particularly in North America and Europe.

David is a director and major shareholder of RACAT Group, a company that owns and operates several media and mobile games companies in Australia and overseas. He is also Chairman of the Australian Geographic Society.

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

David is Chair of the Remuneration & Nomination Committee and is a member of the Safety & Risk Review Committee. He is also Chair of the Dreamworld Wildlife Foundation. David was appointed Lead Independent Director in May 2018.

***Former listed directorships in the last three years:***
None

***Interest in shares:***
523,980

# Directors' Report

## 7. Information on Directors (continued)

Randy Garfield
Director

***Appointed:***

Ardent Leisure Group Limited – 18 September 2018

Age: 69

During his 50 year travel industry career, Mr Garfield spent over 30 years working in senior executive roles specialising in global marketing and sales, sponsorship development and sales operations.

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

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

Randy's current directorships include Rocky Mountaineer, Destination Canada, Saudi Tourism Authority and Family Travel Association.

Previous board roles include the US Travel Association (Chairman), Brand USA, Visit California, Visit Florida and Visit Orlando where he served as the longest tenured Chair. Randy is an inductee into the US Travel Hall of Leaders, and has been recognised three times as one of the most extraordinary sales and marketing minds by Hospitality Sales & Marketing Association International.

Randy is a member of the Safety & Risk Review Committee and Audit & Risk Committee.

***Former listed directorships in the last three years:***
None

***Interest in shares:***
30,000

Brad Richmond
Director

***Appointed:***

Ardent Leisure Group Limited – 18 September 2018

Age: 62

Brad is a Certified Public Accountant with 37 years' experience in finance, operations and strategic planning in the full-service restaurant industry in North America. Brad recently held the position of Senior Vice President and Chief Financial Officer of Darden Restaurants Inc., the world's largest full-service restaurant company operating multiple brands including Olive Garden, LongHorn Steakhouse, Season's 52, The Capital Grille, Eddie V's, Yard House and Bahama Breeze. Prior to this position, Brad held a number of other roles at Darden including Senior Vice President and Corporate Controller and Senior Vice President, Brand Financial Leader at various Darden brands.

Before joining Darden, Brad was a senior auditor with Price Waterhouse & Co.

Brad holds a Bachelor of Sciences/Bachelor of Arts degree from the University of Missouri.

Brad is Chair of the Main Event Committee, a member of the Remuneration & Nomination Committee and a member of the Audit & Risk Committee.

Brad is also a director of Ardent Leisure US Holding Inc, the parent entity for Main Event Entertainment.

***Former listed directorships in the last three years:***
None

***Interest in shares:***
751,500

## 8. Company Secretary

The Group's Company Secretary is Chris Todd. Chris was appointed to the position of Company Secretary on 20 January 2021 and has acted as Group General Counsel since March 2014.

Chris holds a Bachelor of Laws and a Bachelor of Commerce from the University of Queensland and has over 20 years' experience as a lawyer, both in private practice and in-house roles.

## 9. Meetings of Directors

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

| | Full meetings of Directors | | Meetings of Committees: Audit & Risk | | Meetings of Committees: Remuneration & Nomination | | Meetings of Committees: Safety & Risk Review | |
|---|---|---|---|---|---|---|---|---|
| | E[1] | A[2] | E[1] | A[2] | E[1] | A[2] | E[1] | A[2] |
| Gary Weiss AM | 6 | 6 | 4 | 4 | 1 | 1 | 4 | 4 |
| David Haslingden | 6 | 6 | ** | ** | 2 | 2 | 4 | 4 |
| Randy Garfield | 6 | 6 | 3 | 3 | ** | ** | 4 | 4 |
| Brad Richmond | 6 | 6 | 4 | 4 | 2 | 2 | ** | ** |

(1) Eligible to attend.
(2) Attended.
** Not a member of the relevant committee.

## 10. Remuneration report

### Introduction from the Chair of the Remuneration & Nomination Committee

The Directors of Ardent Leisure Group Limited present the FY21 Remuneration Report, which outlines the Group's approach to remuneration of its Directors and Executive Key Management Personnel (KMP).

This year, the Group has continued to be impacted by COVID-19, which has again brought challenges for our businesses, as well as the broader travel, tourism, family entertainment and theme parks sectors. Following the initial site closures in mid/late March 2020, the Group started FY21 with 38 of its 43 Main Event centres reopened and one new site, which opened in July 2020. In Australia, SkyPoint reopened in July 2020, followed by Dreamworld in September 2020.

A second wave of the pandemic in the US saw five Main Event centres needing to close again for several weeks in November/December 2020. However, subsequent trading in the second half of the year has been encouraging, with strong positive signs of recovery and the business showing strong momentum going into FY22.

In Australia, the Theme parks business has continued to be challenged, with attendances impacted by international and state border restrictions and snap lockdowns, particularly during the peak Christmas and Easter holiday periods. This was exacerbated by extreme adverse weather during the Easter holidays. Management has responded with strategies to maximise volume within the local drive market, including a number of successful activations which have helped drive strong pass sales and positive guest sentiment. The business remains optimistic for FY22, underpinned by the roll out of vaccinations, the expected opening of the new Steel Taipan rollercoaster and pent up demand in local and interstate markets.

Funding has remained a key focus in FY21, with the Australian business securing a $69.9 million financial assistance package from the Queensland Government in August 2020. This followed the injection of U$80.0 million capital into the Main Event business in June 2020, via the Redbird partnership. The Board and management have continued to focus on cash preservation and strong cost control within the businesses, as well as securing governmental and other assistance wherever possible.

In late FY20, temporary salary reductions were taken across the broader employee base, including Executive KMP and several of their direct reports. However, following the reopening of the businesses and securing of funding, some of these temporary reductions have been reversed in FY21.

#### *Remuneration outcomes for FY21*

The Board note that determining remuneration outcomes for Executive KMP in the current environment remains difficult, with a need to balance factors such as shareholder expectations, the financial performance of the businesses and achievement of non-financial targets for employee engagement, customer satisfaction and safety.

In recognition of the achievement of agreed financial KPIs and strategic initiatives, and the solid performance and recovery of Main Event under challenging conditions, the Board have agreed bonus payments to Chris Morris and Darin Harper for FY21. Further, in recognition of their strong leadership during this challenging period, the time and effort involved in securing funding for the Australian business and the resolution of many legacy issues facing the business, the Board have agreed bonus payments to John Osborne and Greg Yong for FY21.

With respect to long term incentive outcomes, the Board acknowledge the substantial impact of COVID-19 on the cash-settled LTI plans introduced for Main Event and Theme Parks Executive KMP and senior employees in FY19, and the value accretion levels now required to trigger awards. Therefore, in consultation with its US co-investor, Redbird Capital Partners, the Board have implemented a new replacement plan for Main Event to ensure that it continues to incentivise and drive performance over the longer term. A similar review is currently in progress for the Theme Parks cash-settled LTI plan.

#### *Board and Committee changes*

In June 2020, Ms Antonia Korsanos retired as a Non-Executive Director.

#### *Looking towards the future*

The impact of COVID-19 on our businesses continues to be significant, and we recognise that the economic, social and workplace consequences are likely to be felt for some time.

Looking ahead to FY22, there remains some uncertainty regarding the pandemic, associated vaccine rollouts and efficacy, border and trading restrictions and the timeframe for recovery. The Board continues to be cognisant of the need to ensure that the remuneration mix for Executive KMP is appropriate to the current environment and aims to set realistic incentive targets which reflect this uncertainty.

The Board is confident that the Group will emerge from this pandemic a stronger and more efficient organisation that continues to provide our team members with a safe working environment and our guests with safe and memorable family entertainment experiences.

On behalf of the Board, I would like to thank our team members for their continued hard work and commitment during the last 12 months. The Board remains immensely appreciative of their efforts and is grateful for the sacrifices made and resilience shown during a challenging year.

**David Haslingden**
*Chair, Remuneration & Nomination Committee*

## 10. Remuneration report (continued)

The remuneration report for the Group for the year ended 29 June 2021 is set out as follows:

**Contents** **Page No.**



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

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

Key Management Personnel (KMP) are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the Group. For the year ended 29 June 2021, the KMP for the Group comprised the following:

| Position | Name | Primary location of employment |
|---|---|---|
| **Executive KMP** | | |
| President and CEO – Main Event | Chris Morris | US-based |
| Group Chief Financial Officer | Darin Harper | US-based |
| CEO – Theme Parks | Greg Yong (commenced 21 April 2021) | Australian-based |
| Former CEO – Theme Parks | John Osborne (resigned 21 April 2021) | Australian-based |
| **Non-Executive Directors** | | |
| Chairman | Gary Weiss AM | Australian-based |
| Lead Independent director | David Haslingden | Australian-based |
| Independent director | Randy Garfield | US-based |
| Independent director | Brad Richmond | US-based |

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

There were no changes to KMP after the end of the reporting period.

# Directors' Report

## 10. Remuneration report (continued)

### (b) Remuneration governance

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

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

The Group did not engage any consultants to provide remuneration recommendations in relation to any of the above services during the year.

### (c) Remuneration framework

#### *(i) Remuneration structure*

The executive remuneration framework in place during the year ended 29 June 2021 has three components:

| **Annual base salary** | |
|---|---|
| KMP and executives receive a mix of cash salary, employer superannuation contributions (Australian employees only) and other non-financial benefits | Total fixed remuneration (TFR) reflects the executive's role, duties and responsibilities, their level of performance and the complexities of their role and divisions.<br>Base salaries are reviewed annually to ensure that pay is competitive with the external market. No Executive KMP is entitled to a guaranteed pay increase. |
| **Short term incentive (STI)** | |
| One-year performance period award paid in cash for individual and division performance | The STI is an annual cash bonus determined by performance against financial targets, advancement of strategic initiatives and/or personal key performance indicators (KPIs). |
| **Long term incentive (LTI)** | |
| One-time cash award for long term performance of the divisions | The LTI for Executive KMP is a one-time cash reward linked to the future appreciation in Equity Value of the Main Event business or Enterprise Value of the Theme Parks business over and above threshold amounts. It is designed to drive profitable business growth and deliver strong returns on capital invested. Vesting under the LTI plans occurs on a pro-rata basis over a period of five years for Main Event and four years for Theme Parks, respectively.<br>LTI awards were initially granted to Executive KMP under these plans in FY19. However, the Board acknowledge the substantial impact of COVID-19 and the value accretion levels now required to trigger awards under the plans. Therefore, in consultation with its US co-investor, Redbird Capital Partners (Redbird), the Board have implemented a new replacement plan for Main Event to ensure its effectiveness as a means of incentivising and driving performance over the longer term. A similar review is currently in progress for the Theme Parks cash-settled LTI plan. |

## 10. Remuneration report (continued)

### (c) Remuneration framework (continued)

#### *(ii) Remuneration mix – FY21*

| Executive KMP | Annual base salary | Cash STI | Cash LTI opportunity |
|---|---|---|---|
| Chris Morris<br>President and CEO – Main Event | US$600,000 | Target 100% of TFR<br>Stretch 150% of TFR<br><br>Target Weighted:<br>60% financial KPIs<br>15% strategic KPIs<br>25% Board discretion | The LTI opportunity for Executive KMP is a one-time grant, subject to the achievement of appreciation in the Equity Value of the Main Event business or Enterprise Value of the Theme Parks business (as applicable to the Executive KMP) over a threshold amount, with payment on the occurrence of a future realisation event. Further details on the LTI opportunity can be found in Section 10(c)(iii).<br><br>LTI award percentages are as follows:<br><br>Chris Morris 3.355%<br>4.194% surplus component(1)<br>Darin Harper 1.580%<br>1.975% surplus component(1)<br>Greg Yong 1.000%(2)<br>John Osborne 2.000%<br><br>(1) If the value received by Main Event's investors (the Group and Redbird) on the occurrence of a realisation event is greater than 2.5 times the Grant Date Threshold Amount, the LTI award percentages for the surplus component are 25% higher.<br>(2) Mr Yong was already a participant in the Theme Parks LTI Plan prior to assuming the role of CEO. Given the impacts of COVID-19, the Board proposes to review and revise the Plan to ensure that it continues to drive performance over the longer term. Mr Yong's entitlement under the current plan will be substituted with a 2% entitlement under any new Plan, consistent with the entitlement of the former CEO, John Osborne.<br><br>Mr Harper remains a participant in the Group's legacy equity-settled Long Term Incentive (LTIP) Plan, however no further grants have been made to Mr Harper under this plan since 2017. |
| Darin Harper<br>Group CFO | US$360,000<br><br>As part of his base salary above, Mr Harper receives US$60,000 per annum for performing the role of Group CFO | Target 50% of TFR<br>Stretch 75% of TFR<br><br>Target Weighted:<br>60% financial KPIs<br>15% strategic KPIs<br>25% Board discretion | |
| Greg Yong<br>CEO Theme Parks | $550,000<br>(incl. super) | Target 50% of TFR<br>(100% FY22 onwards)<br><br>Target Weighted:<br>70% financial KPIs<br>30% personal KPIs | |
| John Osborne<br>Former CEO Theme Parks | $550,000<br>(incl. super) | Target 100% of TFR<br><br>Target Weighted:<br>70% financial KPIs<br>30% personal KPIs | |

*Change of Theme Parks CEO*

On 21 April 2021, Greg Yong was appointed Chief Executive Office of the Group's Theme Parks business, following the resignation of John Osborne effective from that date. Mr Osborne has agreed to consult to Ardent on several projects considered to be of strategic importance to the Group.

Mr Yong has held the role of Chief Operating Office for the Theme Parks business since May 2019. Prior to joining the Group, Mr Yong held executive responsibilities for Village Roadshow Theme parks, including Warner Bros. Movie World, Sea World and Wet 'n' Wild Gold Coast and Sydney, as well as leading the development and opening program for Topgolf.



Contents
Directors' Report
Consolidated Financial Statements
Notes
Appendices

## 10. Remuneration report (continued)

### (c) Remuneration framework (continued)

#### *(ii) Remuneration mix – FY21 (continued)*

*Short-term incentive*

| | |
|---|---|
| *Who can participate?* | Executive KMP are able to participate in the STI; however, participation and payment of any STI remain at the Board's discretion. |
| *When is the STI paid?* | If performance is sufficient, STI awards are payable in cash following the release of the Group's audited annual financial results. |
| *What performance measures are used?* | Key performance indicators are split into financial and strategic/personal measure categories. The actual split for each participant may vary and is generally weighted more to the financial KPIs.<br>Financial KPIs are linked to earnings and revenue targets including, but not limited to, EBITDA and constant centre sales (Main Event).<br>Strategic initiatives are associated with the achievement of specific strategic projects that are part of the approved annual operating plan.<br>Personal KPIs are generally not financial in nature and are set to support execution of improvements and initiatives in such functions as health and safety, employee and guest engagement, compliance, business development and strategic initiatives. |

#### *(iii) Long term incentive arrangements*

The material terms of the long term incentive arrangements for Main Event and Theme Parks are set out in the respective plan documents and apply to all grants made, including those to Executive KMP.

Details in relation to the LTI Plans are outlined below:

| | |
|---|---|
| *What are the LTI Plans?* | The LTI Plans are incentive plans designed to attract, motivate and retain key employees. They provide employees with a one-time grant to earn a cash incentive based on the future appreciation in the Equity Value of the Main Event business or Enterprise Value of the Theme Parks business, as the case may be, above a Threshold Hurdle. |
| *What is the Threshold Hurdle?* | The Threshold Hurdle is the cumulative and annually compounded application of the Hurdle Rates to Grant Date Valuations of the Main Event and Theme Parks businesses. |
| *What are the Grant Date Valuations?* | US$330.0 million Equity Value for Main Event<br>$124.3 million Enterprise Value for Theme Parks |
| *What are the Hurdle Rates?* | 10% per annum for Main Event.<br>8.0% per annum for Theme Parks. |
| *How do the LTI Plans drive performance?* | The plans are designed to align key employees' incentive structure with shareholders by encouraging and promoting desired behaviours that focus on creating sustainable value over the long term. |
| *Who can participate in the LTI Plans?* | Employees of Main Event and Dreamworld who are determined to be instrumental in driving the long term growth of the business are eligible for participate at the discretion of management and the Board. Each employee is granted an LTI award percentage with total LTI pool caps of 12.0% for Main Event and 6.0% for Theme Parks. |
| *How are the LTI Plans delivered?* | The LTI awards are delivered in cash. |
| *What are the vesting conditions?* | The vested entitlement for the Plans accumulates evenly over a period of five years for Main Event and four years for the Theme Parks. LTI awards immediately vest in full upon the occurrence of a Realisation/Trigger Event provided that participants remain employed by the businesses at the date of those events. |

## 10. Remuneration report (continued)

### (c) Remuneration framework (continued)

#### *(iii) Long term incentive arrangements (continued)*

| | |
|---|---|
| *What is a Realisation/Trigger Event?* | A Realisation/Trigger Event broadly refers to the earlier of:<br>(a) an acquisition of more than 50% of Main Event, or 75% of the Theme Parks business, as the case may be; or<br>(b) the IPO of the Theme Parks business; or<br>(c) the seventh anniversary of the LTI award grant date of Main Event or Theme Parks, as the case may be. |
| *What other differences are there between the Main Event and Theme Parks Plans?* | If the Threshold Hurdle is met, Participants in the Main Event plan are entitled to share in the value differential between the Hurdle Threshold and the grant valuation. |
| *What are the payment conditions?* | The LTI award is paid out as follows:<br>If the participant remains employed, vested portion of the LTI award will be paid out upon a change of control, an IPO (Theme Parks) or seventh anniversary of the LTI award grant date (Main Event and Theme parks). |
| *What happens if an employee leaves?* | In the event of a participant's employment being terminated as a result of an Approved Separation, the participant shall be eligible to receive a pro-rata portion of the LTI award representing the amount that has vested at the time of separation.<br>An 'Approved Separation' means a participant's termination of employment with Main Event for any reason other than for cause. A resignation by an employee is not an Approved Separation.<br>In the case of the Theme Parks plan, if an employee leaves and the Realisation Event occurs more than two years after an Approved Separation, all awards will lapse without payment. |

### (d) Remuneration outcomes for executives

This section sets out the actual remuneration outcomes realised by Executive KMP and the statutory remuneration disclosures for FY21 and FY20.

#### *(i) STI outcomes in respect of FY21 performance*

In respect of FY21 and FY20 performance, the percentage of Target STI that was awarded to the executives and the percentage that was forfeited are set out below. Actual payments are made to individuals following the release of audited results.

| Name | Financial year | Target STI awarded | Target STI forfeited | STI outcome |
|---|---|---|---|---|
| Chris Morris | FY21 | 150% | - | US$900,000 |
| | FY20 | 33% | 67% | US$200,000 |
| Darin Harper | FY21 | 150% | - | US$270,000 |
| | FY20 | 29% | 71% | US$60,000 |
| Greg Yong[1] | FY21 | 80% | 20% | $44,000 |
| | FY20 | n/a | n/a | n/a |
| John Osborne | FY21 | 80%[2] | 20% | $440,000 |
| | FY20 | 0% | 100% | - |

(1) Became KMP on 21 April 2021 upon assuming the role of Chief Executive Officer, Theme Parks. Mr Yong's STI outcome relates to the part of the year that he was KMP.

(2) The FY21 STI bonus awarded to Mr Osborne is based on 80% of his annualised salary for the year.

Amounts included in the table above are different to the cash bonuses presented in Section 10(d)(v) below, which reflects cash amounts received in the year in respect of prior years' performance.

# Directors' Report

## 10. Remuneration report (continued)

### (d) Remuneration outcomes for executives (continued)

#### *(i) STI outcomes in respect of FY21 performance (continued)*

In recognition of the achievement of agreed financial KPIs and strategic initiatives, and the solid performance and recovery of Main Event under challenging conditions, the Board have agreed bonus payments to Chris Morris and Darin Harper for FY21. Further, in recognition of their strong leadership during this challenging period, the time and effort involved in securing funding for the Australian business and the resolution of many legacy issues facing the business, the Board have agreed bonus payments John Osborne and Greg Yong for FY21.

#### *(ii) Legacy equity-settled LTIP Plan*

As stated above, performance rights previously granted under the Group's legacy equity-settled LTIP Plan that are due to vest in August 2021 have been tested against their gateway and performance hurdles.

The gateway and performance hurdles for the tranches issued to Executive KMP in FY17 and FY18 were not achieved and therefore none of the LTIP performance rights have vested.

#### *(iii) Severance payments Executive KMP*

There were no severance payments to Executive KMP in the year.

#### *(iv) Actual remuneration outcomes*

The table below sets out the total remuneration earned by Executive KMP in respect of the years ended 29 June 2021 and 30 June 2020. The LTIP vested element of realised pay relates to both the individual and the Group's performance up to 29 June 2021. The information below is different to the information in Section 10(d)(v), which includes, for equity-based payments, the accounting value of equity expensed in the year, rather than the actual benefit earned as shown in the table below:

| Name | Financial year | Salary (including superannuation) | Cash STI bonus on an accrued basis | Equity grant | Total realised pay in respect of the financial year |
|---|---|---|---|---|---|
| Chris Morris(1) | FY21 | US$600,000 | US$900,000 | - | US$1,500,000 |
| | FY20 | US$520,385 | US$325,000 | - | US$845,385 |
| Darin Harper(1) | FY21 | US$360,000 | US$270,000 | - | US$630,000 |
| | FY20 | US$367,385 | US$185,000 | - | US$552,385 |
| Greg Yong(2)(4) | FY21 | $107,940 | $44,000 | - | $151,940 |
| | FY20 | n/a | n/a | n/a | n/a |
| John Osborne(3)(4)(5) | FY21 | $498,372 | $440,000 | - | $938,372 |
| | FY20 | $497,463 | - | $100,000 | $597,463 |

(1) In recognition of the achievement of agreed financial KPIs and strategic initiatives, and the solid performance and recovery of Main Event under challenging conditions, the Board have agreed bonus payments to Chris Morris and Darin Harper of US$900,000 and US$270,000 respectively for FY21. In the prior year, the Board awarded discretionary payments of US$200,000 to Mr Morris and US$60,000 to Mr Harper in recognition of the performance of Main Event prior to the COVID-19 closures and, for the time and effort involved in finalising the RedBird partnership, transaction bonuses of US$125,000 to each of Mr Morris and Mr Harper.

(2) Became KMP on 21 April 2021 upon assuming the role of Chief Executive Officer, Theme Parks. Mr Yong's salary (inclusive of superannuation) disclosed relates to the part of the year that he was KMP.

(3) Ceased employment, and ceased to be KMP, on 21 April 2021. Mr Osborne's salary (inclusive of superannuation) disclosed relates to the part of the year that he was KMP.

(4) In recognition of their strong leadership during this challenging period, the time and effort involved in securing funding for the Australian business and the resolution of many legacy issues facing the business, the Board have agreed bonus payments to John Osborne and Greg Yong of $440,000 and $44,000, respectively for FY21. Mr Yong's bonus disclosed is in respect of the part of the year that he was KMP.

(5) During the prior year, the Board awarded to John Osborne a one-off grant of $100,000 of shares in Ardent Leisure Group Limited, based on the share price as at the close of trading on 1 July 2019.

Contents
Directors' Report
Consolidated Financial Statements
Notes
Appendices

## 10. Remuneration report (continued)

### (d) Remuneration outcomes for executives (continued)

#### *(v) Details of remuneration – Executive Key Management Personnel*

Details of the remuneration of Executive KMP of the Group for FY21 are set out in the table below. The table sets out the total cash benefits paid or payable to the executives in respect of the relevant year and, under the heading "Equity-based payments", shows a component of the fair value of the performance rights. The fair value of the performance rights is recognised over the vesting period as an employee benefit expense.

| | | Short term benefits | | | Post-employment benefits | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Base Salary | Cash bonus | Annual leave (1) | Super-annuation | Total remuneration excluding equity-based payments | Equity-based payments | Total remuneration | Equity-based payments |
| | | $ | $ | $ | $ | $ | $ | $ | % of total |
| Chris Morris (2) | FY21 | 802,658 | 1,203,987 | (6,175) | - | 2,000,470 | 1,030,489 | 3,030,959 | 34.00% |
| CEO – Main Event | FY20 | 774,315 | 483,589 | 13,736 | - | 1,271,640 | - | 1,271,640 | - |
| Darin Harper (2) | FY21 | 481,595 | 361,196 | - | - | 842,791 | 430,831 | 1,273,622 | 33.83% |
| Group Chief Financial Officer | FY20 | 546,656 | 275,274 | 2,747 | - | 824,677 | 26,033 | 850,710 | 3.06% |
| Greg Yong (3) | FY21 | 104,237 | 44,000 | 20,019 | 3,703 | 171,959 | - | 171,956 | - |
| CEO – Theme Parks | FY20 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| John Osborne (4) | FY21 | 476,678 | 440,000 | 54,139 | 21,694 | 992,511 | - | 992,511 | - |
| Former CEO – Theme Parks | FY20 | 476,460 | - | 9,497 | 21,003 | 506,960 | 100,000 | 606,960 | 16.48% |
| | **FY21** | **1,865,168** | **2,049,183** | **67,983** | **25,397** | **4,007,731** | **1,461,320** | **5,469,051** | **26.72%** |
| | **FY20** | **1,797,431** | **758,863** | **25,980** | **21,003** | **2,603,277** | **126,033** | **2,729,310** | **4.62%** |

(1) Annual leave amounts represent the increase/(decrease) in the liability for accumulated annual leave during the year.
(2) Remuneration is converted from US dollars to Australian dollars at the average exchange rate of 0.7475 (2020: 0.6721) and includes both cash-settled and equity-settled awards.
(3) Became KMP on 21 April 2021 upon assuming the role of Chief Executive Officer, Theme Parks. Remuneration disclosed reflects the part of the year that Mr Yong was KMP.
(4) Ceased employment, and ceased to be KMP, on 21 April 2021. Remuneration disclosed reflects the part of the year that Mr Osborne was KMP.

Equity-based payments included in the table above reflect the amounts recognised in the Income Statement of the Group in accordance AASB 2 *Share Based Payment*, and are determined on the following basis:

- For performance rights previously issued under the Group's equity-settled LTIP plan, the amounts are based on the fair value of the equity instruments at the date of the grant rather than at vesting or reporting date. If the fair value recorded in the Income Statement was based on the movement in the fair value of the instruments between reporting dates, the amount included in executive compensation would be increased by $46,843 to ($7,624) (2020: decreased by $37,352 to ($10,853)).
- For awards issued under Main Event's cash-settled LTI Plan, the amounts are based on the movement in the fair value of the awards between reporting dates.

# Directors' Report

## 10. Remuneration report (continued)

### (e) Service agreements of Key Management Personnel

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

| Executive | Term | Termination |
|---|---|---|
| Chris Morris<br>President and CEO – Main Event | No fixed term. | Employment shall continue with the Group unless the executive gives the Group 90 days' notice in writing. The Group may terminate Mr Morris' employment at any time, subject to a requirement to provide 30 days' notice where the Group intends to terminate Mr Morris' employment for certain 'cause' reasons.<br>In certain circumstances, on termination of employment, Mr Morris is entitled to continued payment of total fixed remuneration for 12 months plus any owed but unpaid incentive amounts. |
| Darin Harper<br>Group Chief Financial Officer | No fixed term. | Employment shall continue as Group Chief Financial Officer with the Group unless either party provides notice in writing. |
| Greg Yong<br>CEO – Theme Parks | No fixed term. | Employment shall continue with the Group unless the executive gives the Group 90 days' notice in writing. The Group may terminate Mr Yong's employment at any time, subject to a requirement to provide 30 days' notice.<br>In certain circumstances, on termination of employment, Mr Yong is entitled to continued payment of total fixed remuneration for 12 months plus any owed but unpaid incentive amounts. |
| John Osborne<br>Former CEO – Theme Parks | No fixed term. | Employment shall continue with the Group unless the executive gives the Group 90 days' notice in writing. The Group could terminate Mr Osborne's employment at any time, subject to a requirement to provide 30 days' notice.<br>In certain circumstances, on termination of employment, Mr Osborne was entitled to continued payment of total fixed remuneration for 12 months plus any owed but unpaid incentive amounts. |

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

### (f) Non-Executive Director fees

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

Non-Executive Directors are paid solely by the way of Directors' fees and Non-Executive Directors do not participate in equity nor cash-based incentive schemes. Non-Executive Directors bring a depth of experience and knowledge to their roles and are a key component in the effective operation of the Board. The maximum total aggregate level of Directors' fees payable by the Group is $1,200,000 per annum and there is no proposal to increase the aggregate fee cap in FY22.

Board fees payable to Non-Executive Directors are as follows:

| Position | | FY21 | FY20 |
|---|---|---|---|
| Board Chair | | $205,000 | $205,000 |
| Other Non-Executive Director | - Australia-based | $120,000 | $120,000 |
| | - US-based | $136,000 | $136,000 |
| Audit and Risk Committee | - Chair | $20,000 | $20,000 |
| | - Member | $15,000 | $15,000 |
| Other Committee | - Chair | $12,500 | $12,500 |
| | - Member | $7,500 | $7,500 |

## 10. Remuneration report (continued)

### (f) Non-Executive Director fees (continued)

Details of the actual fees delivered to Non-Executive Directors of the Company for FY21 and FY20 are set out below:

| | | Salary $ | Superannuation $ | Total $ |
|---|---|---|---|---|
| Gary Weiss AM | FY21 | 218,037 | 20,713 | 238,750 |
| | FY20 | 172,945 | 16,430 | 189,375 |
| David Haslingden | FY21 | 127,854 | 12,146 | 140,000 |
| | FY20 | 101,027 | 9,598 | 110,625 |
| Randy Garfield | FY21 | 156,000 | - | 156,000 |
| | FY20 | 116,812 | 2,063 | 118,875 |
| Brad Richmond | FY21 | 163,500 | - | 163,500 |
| | FY20 | 127,137 | 1,113 | 128,250 |
| Antonia Korsanos | FY21 | n/a | n/a | n/a |
| | FY20 | 101,027 | 9,598 | 110,625 |
| | **FY21** | **665,391** | **32,859** | **698,250** |
| | **FY20** | **618,948** | **38,802** | **657,750** |

### (g) Additional statutory disclosures

#### *(i) Directors' interests in shares*

Changes to Directors' interests in shares of Ardent Leisure Group Limited during the year are set out below:

| | Number of shares in Ardent Leisure Group Limited | | | |
|---|---|---|---|---|
| | Opening balance | Acquired | Disposed | Closing balance |
| Gary Weiss AM | 45,344,317 | 500,000 | - | 45,844,317 |
| David Haslingden | 523,980 | - | - | 523,980 |
| Brad Richmond | 310,000 | 441,550 | - | 751,550 |
| Randy Garfield | 30,000 | - | - | 30,000 |
| | **46,208,297** | **941,550** | **-** | **47,149,847** |

#### *(ii) Minimum share holdings*

Non-Executive Directors are expected to hold a minimum value of shareholdings (equivalent to the Chairman base fee or Non-Executive Director base fee, as applicable) within four years of appointment and thereafter increase holdings over their tenure.

#### *(iii) Executive KMP interests in shares*

Changes to the interests of Executive KMP in shares of Ardent Leisure Group Limited during the year are set out below:

| | Number of shares in Ardent Leisure Group Limited | | | |
|---|---|---|---|---|
| | Opening balance | On becoming KMP | On leaving the Group | Closing balance |
| Darin Harper | 138,558 | - | - | 138,558 |
| Greg Yong | - | 64,692 | - | 64,692 |
| John Osborne | 92,593 | - | (92,593) | - |
| | **231,151** | **64,692** | **(92,593)** | **203,250** |

During the year, certain Main Event executives also purchased equity interests in a subsidiary of the Group, Main Event's US holding company, Ardent Leisure US Holding Inc (ALUSH). Changes to the interests of Executive KMP in shares of ALUSH during the year are set out below:

| | Number of shares in Ardent Leisure US Holding Inc | | | |
|---|---|---|---|---|
| | Opening balance | Acquired | Disposed | Closing balance |
| Chris Morris | - | 750 | - | 750 |
| Darin Harper | - | 200 | - | 200 |
| | **-** | **950** | **-** | **950** |

# Directors' Report

## 10. Remuneration report (continued)

### (g) Additional statutory disclosures (continued)

#### *(iv) Valuation of awards under the Main Event and Dreamworld cash-settled LTI plans*

*Main Event LTI Plan*

Awards issued under the Main Event LTI plan are accounted as cash-settled share-based payments under IFRS 2 *Share-based payment* as the amounts paid under the plan are based on the equity value of Main Event Entertainment Inc. Awards under this plan are measured at fair value at each reporting date using a Black-Scholes option pricing model. For awards issued to Executive KMP which remain outstanding at 29 June 2021, the table below shows the fair value at the reporting date as well as the key factors used to value the performance rights at that date. Under AASB 2 *Share Based Payment*, the reporting date valuations are used to value the outstanding performance rights held by Executive KMP at 29 June 2021.

| Main Event LTI Plan | |
|---|---|
| Grant date | 28 January 2021 |
| First Vesting date(1) | 28 January 2021 |
| Second Vesting date(1) | 31 December 2021 |
| Third Vesting date(1) | 31 December 2022 |
| Fourth Vesting date(1) | 31 December 2023 |
| Fifth Vesting date(1) | 31 December 2024 |
| Payment date(1) | 28 January 2028 |
| Grant date Equity Valuation of Main Event | US$330.0 million |
| Average risk-free rate | 0.02% |
| Dividend yield | 0.0% |
| Volatility | 68.3% |

(1) Vesting and payment dates presented in the table above apply if the plan runs for the full seven year term. However, as noted in Section 10(c)(iii) above, vesting and payment can be accelerated if there is an earlier Trigger Event, such as a change of control of Main Event. The first vesting date of 28 January 2021 reflects vested service credit provided to employees who were participants of the previous Main Event LTI Plan (replaced by this plan).

*Theme Parks LTI Plan*

Awards issued under the Theme Parks LTI plan are accounted as long term remuneration under AASB 119 *Employee Benefits* as the amounts paid under the plan are based on the Enterprise Value of the Theme Parks business and assets, rather than an equity value. Amounts potentially payable under the Plan are determined based on an estimate of the future Enterprise Value of the business compared to the plan Threshold Hurdle at the most likely realisation event, being the seventh anniversary of the plan.

#### *(v) Valuation of performance rights issued under the Group's legacy equity-settled LTIP plan*

Performance rights issued to Executive KMP under the Group's legacy equity-settled LTIP plan are valued using a combination of the Monte Carlo simulation and the Cox-Ross-Rubenstein valuation models. For rights issued to Executive KMP which remain outstanding at 29 June 2021, the table below shows the fair value on each grant date as well as the key factors used to value the performance rights at that date. Under AASB 2 *Share Based Payment*, these grant date valuations are used to value the outstanding performance rights held by Executive KMP at 29 June 2021.

| LTIP grant | 2017 | 2018 |
|---|---|---|
| Grant date | 29 September 2017 | 27 June 2019 |
| Vesting date – year 2 | 29 August 2019 | 31 August 2020 |
| Vesting date – year 3 | 31 August 2020 | 31 August 2021 |
| Vesting date – year 4 | 31 August 2021 | 31 August 2022 |
| Average risk-free rate | 2.00% per annum | 1.00% per annum |
| Expected price volatility | 42.0% per annum | 32.0% per annum |
| Expected distribution yield | 1.6% per annum | 2.0% per annum |
| Security price at grant date | $1.82 | $1.08 |
| Valuation per performance right on issue | | |
| US employees | $0.65 | $nil |
| Australian employees | $0.19 | $nil |

For performance rights issued under this plan, the grant date is generally the date of issue of the offer letters to executives. Although the grant date may vary from year to year, the testing period (subject to any hurdles) remains constant with the vesting date being 24 hours immediately following the announcement of the Group's full year financial results.

## 10. Remuneration report (continued)

### (g) Additional statutory disclosures (continued)

#### *(vi) Details of equity grant movements*

The table below sets out the number of performance rights that were granted, lapsed and vested during the financial year and that are yet to vest in respect of the Group’s equity-settled LTIP plan:

| | | Year granted | Tranche | Financial years in which performance rights may vest Year | Number | Value of performance rights at grant $ | Number lapsed | Value of performance rights at lapse $ | Number vested | Value of performance rights at vesting $ | Maximum value yet to vest $ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Current Executive | | | | | | | | | | | |
| *Equity settled* | | | | | | | | | | | |
| Darin Harper | LTIP | 2017 | T2 | 2021 | 35,677 | 26,458 | 35,677 | 15,559 | - | - | - |
| | | | T3 | 2022 | 35,678 | 30,308 | - | - | - | - | 30,308 |
| **Total** | | | | | **71,355** | **56,766** | **35,677** | **15,559** | **-** | **-** | **30,308** |

#### *(vii) LTIP performance rights*

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

| | Opening balance | Granted as compensation | Exercised | Lapsed | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Darin Harper | 71,355 | - | - | (35,677) | 35,678 | - | 35,678 |
| | **71,355** | **-** | **-** | **(35,677)** | **35,678** | **-** | **35,678** |

#### *(viii) Loans and other transactions with KMP*

There were no loans made to KMP during the financial year, as disclosed in Note 36(e) to the financial statements. Refer to Note 36(f) to the financial statements for details of other transactions with KMP during the financial year.

## 11. Non-audit services

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

Details of the amounts paid to the auditor (Ernst & Young) for audit and non-audit services provided during the year are disclosed in Note 34 to the financial statements.

The Directors have considered the position and, in accordance with the recommendation received from the Audit & Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 34 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

## 12. Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 26.

## 13. Events occurring after reporting date

Since the end of the financial year, the Directors of the Company are not aware of any matters or circumstances not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 29 June 2021.



Contents
Directors' Report
Consolidated Financial Statements
Notes
Appendices

# Directors' Report

## 14. Likely developments and expected results of operations

The threats posed by the outbreak and rapid spread of the COVID-19 pandemic have been far reaching, with most countries imposing severe travel restrictions and social distancing measures. For Ardent, the economic impact has been significant and there is continuing uncertainty regarding the pandemic, associated vaccine roll outs and efficacy, border and trading restrictions and the timeframe for recovery.

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

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

## 15. Indemnification and insurance of officers and auditor

Under the Company's Constitution, the Company indemnifies:

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

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

## 16. Environmental regulations

### (a) Governance

The Group's operations are not subject to any *'particular and significant environmental regulations'* (such as the need to hold a material environmental licence or approval) and the Group does not currently have any *'material exposure to environmental risks'*.

However, given the broad application of environmental legislation and the fact that the Group's operations in both Australia and the United States of America concern physical real estate sites which may affect the environment (or be affected by environmental factors), the identification, assessment and management of risks associated with environmental matters form part of the Group's risk management framework overseen by the Board.

### (b) Theme Parks – Australia

Certain aspects of the operations of the Dreamworld and WhiteWater World theme parks are subject to legislative requirements in respect of the environmental impacts of their operating activities. In particular:

- The *Environmental Protection Act 1994* (Qld) regulates all activities where a contaminant may be released into the environment and/or there is a potential for environmental harm or nuisance (including in respect of development on land);
- Dreamworld holds the necessary regulatory authorisations for the storage and use of flammable/combustible goods and the storage of hazardous chemicals;
- Dreamworld is subject to local council regulations regarding noise emissions and the staging of night-time events and functions;
- Dreamworld's Life Sciences department is subject to the *Biosecurity Act 2015* (Cth) and maintains an exhibition permit under the *Exhibited Animals Act 2015* (Qld); and
- Dreamworld holds the requisite licences relating to water conservation and irrigation.

At this time there are no known issues of non-compliance with any environmental regulations regarding the Group's theme park operations and there are no outstanding regulatory notices.

### (c) Main Event – United States of America

Main Event is subject to various Federal, State and local environmental requirements in the United States of America that govern both its day-to-day operations as well as the development of new centres.

### 16. Environmental regulations (continued)

#### (c) Main Event – United States of America (continued)

Research of environmental factors forms part of our site due diligence process. In respect of new centre construction, a prerequisite for any building permit, is compliance with city and State planning and zoning requirements which typically include (depending on locality) soils reports, site line studies, storm water and irrigation regulation compliance, asbestos testing etc. In addition a certificate of occupancy or equivalent certification is issued upon completion of construction and may require refuse and grease storage permits, health and food safety permits, and compliance with Occupational Safety and Health Administration (OSHA) regulations prior to issuance.

The extent of regulation regarding the use of environmentally friendly building products and the design of environmental efficient buildings varies significantly across the various States and municipalities within which Main Event operates. Where required by law, such regulations are followed. Additionally, Main Event procurement practices seek out energy efficient appliances, lighting and RTUs to reduce energy consumption.

With respect to operating activities at Main Event, environmental laws and regulations govern, among other things:

- The discharge of pollutants into the air and water;
- The presence, handling, release and disposal of, and exposure to, hazardous substances;
- The reduction of greenhouse gases;
- Waste disposal (i.e. recycling programs); and
- Electrical and water consumption.

At this time, there are no known issues of non-compliance with any environmental regulations regarding the Main Event operations and there are no outstanding regulatory notices.

With respect to our supply chain we are seeing that major suppliers are now showing greater transparency on the environmental and sustainability initiatives being embedded into their operations.

#### (d) Climate change

Management within each of the Group's businesses continue to monitor climate change risks, including the transition to a lower carbon economy and the physical impacts of climate change on their respective operations (including matters such as water scarcity, alternative energy sources and energy costs). At the same time, management is focused on opportunities presented by climate change such as resource efficiencies, improvements in technology and alternate power sources.

The Board acknowledges the demand of investors, creditors and other participants in the financial markets for decision-useful, climate-related information and, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures, the Board is committed to developing clear, transparent and useful disclosures around climate related risks and opportunities.

The Board maintains oversight of climate change risks and opportunities through its regular engagement with management of both businesses at regular Board and Audit & Risk Committee meetings.

### 17. Rounding of amounts to the nearest thousand dollars

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

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

| | |
|---|---|
| **Gary Weiss AM** | **Brad Richmond** |
| *Chairman* | *Director* |

Sydney
25 August 2021

Ernst & Young
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Sydney NSW 2000 Australia
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# Auditor's Independence Declaration to the Directors of Ardent Leisure Group Limited

As lead auditor for the audit of Ardent Leisure Group Limited for the financial year ended 29 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst + Young

Ernst & Young

John Robinson
Partner
25 August 2021

# Income Statement
## for the year ended 29 June 2021

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Income | | | |
| Revenue from operating activities | 3 | 390,667 | 398,315 |
| Valuation gain - investment held at fair value | | - | 390 |
| Reversal of impairment of property, plant and equipment | 16 | 524 | - |
| Interest income | | 37 | 680 |
| Other income | 4 | 23,604 | 11,154 |
| **Total income** | | **414,832** | **410,539** |
| Expenses | | | |
| Purchases of finished goods | | 51,095 | 55,680 |
| Salary and employee benefits | | 173,767 | 179,816 |
| Finance costs | 5 | 69,112 | 64,182 |
| Property expenses | | 17,451 | 20,496 |
| Depreciation and amortisation | | 85,747 | 94,142 |
| Loss on disposal of assets | | 313 | 795 |
| Advertising and promotions | | 20,984 | 23,852 |
| Repairs and maintenance | | 25,315 | 27,427 |
| Pre-opening expenses | | 578 | 4,175 |
| impairment of property, plant and equipment | | - | 15,802 |
| Impairment of right-of-use assets | 23(a) | 4,613 | 1,620 |
| Dreamworld incident costs | | 5,103 | 2,097 |
| Net loss from derivative financial instruments | | 109 | 38 |
| Other expenses | 6 | 48,189 | 52,729 |
| **Total expenses** | | **502,376** | **542,851** |
| **Loss before tax (benefit)/expense** | | **(87,544)** | **(132,312)** |
| Income tax (benefit)/expense | 7 | (611) | 3,783 |
| **Loss for the year** | | **(86,933)** | **(136,095)** |
| Attributable to: | | | |
| Ordinary shareholders | | (86,933) | (136,095) |
| **Loss for the year** | | **(86,933)** | **(136,095)** |

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

| | Note | 2021 | 2020 |
|---|---|---|---|
| Total basic losses per share (cents) | 9 | (18.12) | (28.37) |
| Total diluted losses per share (cents) | 9 | (18.12) | (28.37) |

Contents

Directors' Report

Consolidated Financial Statements

Notes

Appendices

# Statement of Comprehensive Income
for the year ended 29 June 2021

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Loss for the year | | (86,933) | (136,095) |
| Other comprehensive (loss)/income for the year | | | |
| *Items that may be reclassified to profit and loss:* | | | |
| Foreign exchange translation difference | 20 | (11,810) | 4,738 |
| *Items that will not be reclassified to profit and loss:* | | | |
| Loss on revaluation of investment held at fair value | 20 | (1,290) | - |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(13,100)** | **4,738** |
| **Total comprehensive loss for the year, net of tax** | | **(100,033)** | **(131,357)** |
| Attributable to: | | | |
| Ordinary shareholders | | (100,033) | (131,357) |
| **Total comprehensive loss for the year, net of tax** | | **(100,033)** | **(131,357)** |

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

# Balance Sheet
as at 29 June 2021

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) | 2019 $'000 Restated (Note 16(a)) |
|---|---|---|---|---|
| Current assets | | | | |
| Cash and cash equivalents | 8(b) | 114,962 | 161,617 | 92,332 |
| Receivables | 11 | 1,472 | 4,760 | 12,524 |
| Derivative financial instruments | | - | - | 13 |
| Inventories | 12 | 6,333 | 7,858 | 7,782 |
| Construction in progress inventories | 13(a) | 3,368 | 11,877 | 578 |
| Other | 14 | 4,464 | 3,154 | 8,427 |
| **Total current assets** | | **130,599** | **189,266** | **121,656** |
| Non-current assets | | | | |
| Property, plant and equipment | 16 | 408,511 | 453,741 | 455,906 |
| Right-of-use assets | 23(a) | 286,712 | 327,058 | 311,528 |
| Investment held at fair value | 30 | 1,358 | 3,201 | 2,811 |
| Derivative financial instruments | 24 | 29 | 29 | 177 |
| Livestock | | 187 | 204 | 220 |
| Intangible assets | 17 | 74,553 | 80,098 | 78,973 |
| Deferred tax assets | 7(f) | 4,656 | 4,185 | 22,845 |
| **Total non-current assets** | | **776,006** | **868,516** | **872,460** |
| **Total assets** | | **906,605** | **1,057,782** | **994,116** |
| Current liabilities | | | | |
| Payables | 15 | 88,652 | 63,699 | 64,234 |
| Construction in progress deposits | 13(b) | - | 11,413 | - |
| Derivative financial instruments | 24 | - | 609 | - |
| Interest bearing liabilities | 22 | 23,507 | 28,903 | 20,452 |
| Current tax liabilities | | 2,717 | 1,065 | 6,415 |
| Provisions | 31(b) | 4,302 | 2,061 | 1,512 |
| Other | | 2,386 | 1,781 | 4,294 |
| **Total current liabilities** | | **121,564** | **109,531** | **96,907** |
| Non-current liabilities | | | | |
| Derivative financial instruments | 24 | 2,434 | 1,931 | 505 |
| Interest bearing liabilities | 22 | 601,194 | 662,253 | 506,607 |
| Provisions | 31(b) | 2,827 | 3,101 | 2,985 |
| Non-current tax liabilities | | 8,902 | 10,629 | 10,000 |
| Deferred tax liabilities | 7(h) | - | 453 | 15,187 |
| **Total non-current liabilities** | | **615,357** | **678,367** | **535,194** |
| **Total liabilities** | | **736,921** | **787,898** | **632,101** |
| **Net assets** | | **169,684** | **269,884** | **362,015** |
| Equity | | | | |
| Contributed equity | 18 | 777,124 | 777,124 | 777,124 |
| Other equity | 19 | - | - | (148) |
| Reserves | 20 | (116,281) | (102,863) | (107,538) |
| Accumulated losses | 21 | (530,500) | (443,567) | (307,423) |
| Total equity | | 130,343 | 230,694 | 362,015 |
| Non-controlling interest | 22(c), 22(d) | 39,341 | 39,190 | - |
| **Total equity** | | **169,684** | **269,884** | **362,015** |

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

Contents

Directors' Report

Consolidated Financial Statements

Notes

Appendices

# Statement of Changes in Equity
## for the year ended 29 June 2021

| | Note | Contributed equity $'000 | Other equity $'000 | Reserves $'000 | Accumulated losses $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Total equity at 26 June 2019, as originally presented | | 777,124 | (148) | (92,039) | (299,835) | - | 385,102 |
| Impact of change in accounting standard, AASB 16 | 21 | - | - | - | (352) | - | (352) |
| Change in accounting policy | 16(a) | - | - | (15,499) | (7,236) | - | (22,735) |
| Total restated equity at 26 June 2019 | | 777,124 | (148) | (107,538) | (307,423) | - | 362,015 |
| Loss for the year (restated) | | - | - | - | (136,095) | - | (136,095) |
| Other comprehensive income for the year (restated) | | - | - | 4,738 | - | - | 4,738 |
| **Total restated comprehensive income/(loss) for the year** | | **-** | **-** | **4,738** | **(136,095)** | **-** | **(131,357)** |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Equity-based payments | 20 | - | - | (112) | - | - | (112) |
| Issuance of treasury shares | 19 | - | 285 | - | - | - | 285 |
| Acquisition of treasury shares | 19 | - | (137) | - | - | - | (137) |
| Issuance of RedBird preferred stock in subsidiary | 22(c) | - | - | - | - | 39,190 | 39,190 |
| Transfer from reserve | 20, 21 | - | - | 49 | (49) | - | - |
| **Total restated equity at 30 June 2020** | | **777,124** | **-** | **(102,863)** | **(443,567)** | **39,190** | **269,884** |
| Loss for the year | | - | - | - | (86,933) | - | (86,933) |
| Other comprehensive loss for the year | | - | - | (13,100) | - | - | (13,100) |
| **Total comprehensive loss for the year** | | **-** | **-** | **(13,100)** | **(86,933)** | **-** | **(100,033)** |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Equity-based payments | 20 | - | - | (318) | - | - | (318) |
| Issuance of preferred stock in subsidiary | 22(d) | - | - | - | - | 151 | 151 |
| **Total equity at 29 June 2021** | | **777,124** | **-** | **(116,281)** | **(530,500)** | **39,341** | **169,684** |

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

# Statement of Cash Flows
for the year ended 29 June 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 433,930 | 447,260 |
| Payments to suppliers and employees | | (346,028) | (380,546) |
| Property expenses paid | | (17,451) | (20,472) |
| Early termination of forward rate contracts | | - | 267 |
| Interest received | | 37 | 680 |
| Government grants received | | 19,668 | 4,035 |
| Payments for construction in progress inventories | | (4,001) | (20,882) |
| Deposits received for construction in progress | | 1,154 | 20,771 |
| Insurance recoveries | | 7,777 | 7,607 |
| Income tax paid | | (1,176) | (6,002) |
| **Net cash flows from operating activities** | 8(a) | **93,910** | **52,718** |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (37,207) | (79,447) |
| Payments for intangible assets | | (6,464) | (6,491) |
| Proceeds from sale of plant and equipment | | 91 | 1,446 |
| Proceeds from sale of land and buildings | | - | 2,500 |
| **Net cash flows used in investing activities** | | **(43,580)** | **(81,992)** |
| Cash flows from financing activities | | | |
| Proceeds from loans | | 32,112 | 87,095 |
| Repayments of loans | | (55,065) | (23,794) |
| Proceeds from issuance of preferred stock in subsidiary, net of transaction costs | 22(d) | 1,068 | 99,900 |
| Payment of principal portion of lease liabilities | | (12,491) | (12,049) |
| Lease interest paid | | (37,366) | (28,676) |
| Loan interest paid | | (15,869) | (23,384) |
| Acquisition of treasury shares | 19 | - | (137) |
| **Net cash flows from financing activities** | | **(87,611)** | **98,955** |
| Net (decrease)/increase in cash and cash equivalents | | (37,281) | 69,681 |
| Cash and cash equivalents at the beginning of the year | | 161,617 | 92,332 |
| Effect of exchange rate changes on cash and cash equivalents | | (9,374) | (396) |
| **Cash and cash equivalents at the end of the year** | | **114,962** | **161,617** |

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 1. Basis of preparation

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

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

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 29 June 2021 are set out in the accompanying notes. During the year, the Group changed the measurement method for accounting for property, plant and equipment as set out in Note 16(a). This change in policy has been applied retrospectively and comparatives have been restated in these financial statements. All other policies have been consistently applied to the years presented, unless otherwise stated.

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

### (a) Historical cost convention

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

### (b) Compliance with IFRS as issued by the IASB

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

### (c) Principles of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

### (d) Foreign currency translation

***Functional and presentation currencies***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency.

***Transactions and balances***

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

***Foreign operations***

Assets and liabilities of foreign controlled entities are translated at exchange rates ruling at reporting date while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign controlled entities are taken directly to the foreign currency translation reserve. On consolidation, exchange differences on loans denominated in foreign currencies, where the loan is considered part of the net investment in that foreign operation, are taken directly to the foreign currency translation reserve. At 29 June 2021, the spot rate used was A$1.00 = US$0.7563 (2020: A$1.00 = US$0.6863). The average spot rate during the year ended 29 June 2021 was A$1.00 = US$0.7475 (2020: A$1.00 = US$0.6721).

### (e) Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of fair values described in Notes 17, 24, 26, 30, 31and 35 and assumptions related to deferred tax assets and liabilities, impairment testing of assets and determination of lease periods and incremental borrowing rates, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

## 1. Basis of preparation (continued)

### (f) Going concern

COVID-19 continues to significantly impact the businesses and operations of the Group. After closing its sites in March 2020, the Group started the year with 38 of its 43 Main Event centres reopened and one new site, which opened in July 2020. SkyPoint and Dreamworld reopened in July and September respectively.

During the closure periods, funding was limited with minimal income being received and relatively high levels of cash utilisation. Management of both businesses worked hard to preserve liquidity, aggressively eliminating all discretionary expenditure (both operating and capital) and actively engaging with local, state and federal governments and external advisors to identify additional sources of funding and/or financial support.

***Main Event***

The partnership transaction with US-based private investment firm, RedBird Capital Partners (RedBird) in June 2020 saw US$80.0 million invested by RedBird in preferred stock of Main Event's US parent entity. This transaction provided liquidity for Main Event to recover from the impact of COVID-19 and capacity to invest in future growth, with funds invested by RedBird used exclusively to support Main Event.

Although a second wave of the pandemic in the US forced the temporary closure of several sites in November/December 2020, the business has rebounded in the second half of the year with strong signs of recovery and momentum going into FY22.

***Theme Parks and Corporate***

In August 2020, the Group announced that it had secured a financial assistance package for its Theme Parks business under the Queensland Government's COVID-19 Industry Support Package and Queensland Tourism Icons Program 2020. This package totalling $69.9 million, comprises a secured loan facility of $63.7 million (which includes capitalised interest and fees) and grants of $6.2 million. The loan is mutually exclusive from the debt facility in place for the Group's US Main Event business and is being used to fund working capital and approved capital expenditure.

Although the Theme Parks business has continued to be adversely impacted by international and state border restrictions and snap lockdowns, particularly during traditionally busy Christmas and Easter holiday periods, management has responded with initiatives to maximise local market opportunities. This has helped drive strong pass sales and positive guest sentiment and the business remains optimistic for FY22.

***Going concern assessment***

There remains continuing uncertainty regarding the severity and duration of the COVID-19 virus and associated trading, travel and social distancing restrictions. There is also uncertainty regarding customers' propensity to return to the businesses when these restrictions are lifted. Notwithstanding, management's forecasts, together with available cash reserves and borrowing facilities, continue to support the going concern assumption.

### (g) New accounting standards, amendments and interpretations not yet adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 30 June 2021 but which the Group has not yet adopted. The Group's assessment of the impact of those new standards, amendments and interpretations which may have an impact is set out below:

**Classification of Liabilities as Current or Non-current – Amendments to IAS 1**

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 1. Basis of preparation (continued)

### (g) New accounting standards, amendments and interpretations not yet adopted by the Group (continued)

**Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued amendments to IAS 16, which prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

### (h) New and amended standards adopted by the Group

The new or amended accounting standards and interpretations which became effective for the reporting period commencing on 1 July 2020 are set out below:

- Amendments to AASB 3, *Definition of a Business*;
- Amendments to AASB 7, AASB 9 and AASB 39 *Interest Rate Benchmark Reform*;
- Amendments to AASB 1 and AASB 8 *Definition of Material*; and
- Conceptual Framework for Financial Reporting.

The adoption of new and amended standards and interpretations has not resulted in a material change to the financial performance or position of the Group.

### (i) Rounding

The Group has relied on the relief provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

## 2. Segment information

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

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

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

The main income statement items used by management to assess each of the divisions are divisional revenue, divisional EBITDA and divisional EBIT.

### Business segments

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

#### *(i) Main Event*

This segment operates solely in the United States of America and comprises 44 Main Event sites in Texas, Arizona, Georgia, Illinois, Kentucky, Missouri, New Mexico, Ohio, Oklahoma, Kansas, Florida, Tennessee, Maryland, Delaware, Colorado and Louisiana.

#### *(ii) Theme Parks*

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 2. Segment information (continued)

| 1 July 2020 to 29 June 2021 | Main Event $'000 | Theme Parks $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Segment revenue** | **354,655** | **36,012** | **-** | **390,667** |
| **Segment EBITDA** | **84,302** | **(11,097)** | **(5,927)** | **67,278** |
| Depreciation and amortisation | (52,720) | (7,710) | (306) | (60,736) |
| Amortisation of lease assets | (24,837) | (64) | (110) | (25,011) |
| **Segment EBIT** | **6,745** | **(18,871)** | **(6,343)** | **(18,469)** |
| Borrowing costs | | | | (34,762) |
| Lease liability interest expense | | | | (34,350) |
| Interest income | | | | 37 |
| **Loss before tax** | | | | **(87,544)** |
| Income tax expense | | | | 611 |
| **Net loss after tax** | | | | **(86,933)** |
| **The segment EBITDA above has been impacted by the following specific items:** | | | | |
| Net impairment of property, plant and equipment and lease right-of-use assets | (4,089) | - | - | (4,089) |
| Early termination of leases | (1,308) | - | - | (1,308) |
| Pre-opening expenses | (578) | - | - | (578) |
| Dreamworld incident costs, net of insurance recoveries | - | (850) | - | (850) |
| Restructuring and other non-recurring items | (4,168) | - | 50 | (4,118) |
| Lease payments no longer recognised in EBITDA under AASB 16 *Leases* | 47,710 | 85 | 156 | 47,951 |
| Net loss on disposal of assets | (272) | (11) | (30) | (313) |
| | **37,295** | **(776)** | **176** | **36,695** |
| **The net loss after tax above has also been impacted by the following specific items:** | | | | |
| Lease asset amortisation and lease interest expense recognised under AASB 16 *Leases* | (59,183) | (65) | (113) | (59,361) |
| Tax losses for which deferred tax asset not recognised | (10,086) | (5,654) | (1,955) | (17,695) |
| Tax deductible temporary differences for which deferred tax asset not recognised | - | 649 | (49) | 600 |
| Tax impact of specific items listed above | 4,597 | 252 | (19) | 4,830 |
| | **(64,672)** | **(4,818)** | **(2,136)** | **(71,626)** |
| Total assets | 763,216 | 126,168 | 17,221 | 906,605 |
| Acquisitions of property, plant and equipment and intangible assets | 28,052 | 21,657 | - | 49,709 |

Contents | Overview | Directors' Report | Performance | Consolidated Financial Statements | Working capital | Long term assets | Notes | Debt and equity | Financial Risk Management | Appendices | Unrecognised items | Other

## 2. Segment information (continued)

| 26 June 2019 to 30 June 2020 | Main Event $'000 | Theme Parks $'000 Restated (Note 16(a)) | Corporate $'000 | Total $'000 Restated (Note 16(a)) |
|---|---|---|---|---|
| **Segment revenue** | **343,807** | **54,508** | **-** | **398,315** |
| **Segment EBITDA** | **55,268** | **(24,338)** | **(5,598)** | **25,332** |
| Depreciation and amortisation | (55,315) | (9,828) | (497) | (65,640) |
| Amortisation of lease assets | (28,282) | (96) | (124) | (28,502) |
| **Segment EBIT** | **(28,329)** | **(34,262)** | **(6,219)** | **(68,810)** |
| Borrowing costs | | | | (27,614) |
| Lease liability interest expense | | | | (36,568) |
| Interest income | | | | 680 |
| **Loss before tax** | | | | **(132,312)** |
| Income tax expense | | | | (3,783) |
| **Net loss after tax** | | | | **(136,095)** |
| **The segment EBITDA above has been impacted by the following specific items:** | | | | |
| Valuation gain on investment held at fair value | - | - | 390 | 390 |
| Impairment of property, plant and equipment and lease right-of-use assets | (2,015) | (15,407) | - | (17,422) |
| Early termination of leases | (2,758) | - | - | (2,758) |
| Pre-opening expenses | (4,175) | - | - | (4,175) |
| Dreamworld incident costs, net of insurance recoveries | - | 2,827 | - | 2,827 |
| Restructuring and other non-recurring items | (5,920) | (779) | (253) | (6,952) |
| Lease payments no longer recognised in EBITDA under AASB 16 *Leases* | 48,258 | 107 | 128 | 48,493 |
| Net gain/(loss) on disposal of assets | 2,535 | (3,330) | - | (795) |
| | **35,925** | **(16,582)** | **265** | **19,608** |
| **The net loss after tax above has also been impacted by the following specific items:** | | | | |
| Lease asset amortisation and lease interest expense recognised under AASB 16 *Leases* | (64,837) | (101) | (132) | (65,070) |
| Tax losses for which deferred tax asset not recognised | (7,951) | (2,639) | (17,186) | (27,776) |
| Tax deductible temporary differences for which deferred tax asset not recognised | - | (8,905) | - | (8,905) |
| Tax impact of specific items listed above | 6,072 | 5,005 | (40) | 11,037 |
| | **(66,716)** | **(6,640)** | **(17,358)** | **(90,714)** |
| Total assets | 909,724 | 102,936 | 45,122 | 1,057,782 |
| Acquisitions of property, plant and equipment and intangible assets | 58,545 | 22,824 | 5 | 81,374 |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 3. Revenue from operating activities

| Revenue by type | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Revenue from services | 262,962 | 247,943 |
| Revenue from sale of goods | 127,705 | 150,372 |
| **Revenue from operating activities** | **390,667** | **398,315** |

| Revenue by geographical market | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Australia | 36,012 | 54,508 |
| United States | 354,655 | 343,807 |
| | **390,667** | **398,315** |

| Timing of revenue recognition | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Goods and services transferred at a point in time | 380,552 | 386,737 |
| Services transferred over time | 10,115 | 11,578 |
| | **390,667** | **398,315** |

### (a) Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

***Rendering of services***

Revenue from rendering of services is recognised when performance obligations to the customers have been satisfied.

In the case of Theme Parks, the performance obligation is satisfied by the provision of entry to Dreamworld, WhiteWater World and SkyPoint during the validity period of the entry pass/ticket.

Revenue relating to theme park annual/season passes is recognised on a straight-line basis over the period that the pass allows access to the parks. The closure of the parks due to COVID-19 resulted in pass holders being unable to access the parks from 23 March 2020 to 16 September 2020. Accordingly, pass revenue was not recognised during the closure period and is being recognised over the remaining extended validity period of the affected passes post reopening.

In the case of Main Event, the performance obligation is satisfied by provision of a bowling, amusement or other game/activity which has been paid for by a customer.

***Sale of goods***

Revenue from sale of goods including merchandise and food and beverage items is recognised when control of the goods has passed to the buyer, generally on delivery of the goods at the time of sale.

### (b) Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of year is as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within one year | 21,131 | 16,761 |
| More than one year | 169 | 43 |
| | **21,300** | **16,804** |

Set out below is the amount of revenue recognised from:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Amounts included in deferred revenue at the beginning of the year | 13,841 | 11,273 |
| Performance obligations recognised in previous years | - | - |

## 4. Other income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Government subsidies & grants[1] | 15,506 | 5,997 |
| Insurance recoveries | 7,941 | 5,157 |
| Other | 157 | - |
| | **23,604** | **11,154** |

(1) Government subsidies in the year include an amount of $13.9 million (2020: $5.9 million) relating to the Australian federal Government's JobKeeper wage subsidy.

### (a) Accounting policy

Government subsidies and grants are recognised where there is reasonable assurance that the subsidy or grant will be received, and all attached conditions will be complied with. When the subsidy or grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the subsidy or grant relates to an asset, it reduces the carrying amount of the asset. The subsidy or grant is then recognised in profit and loss over the useful life of the depreciable asset by way of a reduced depreciable charge.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Insurance recoveries income is recognised when receipt of proceeds is considered virtually certain.

## 5. Finance costs

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Interest on loans | | 21,932 | 26,506 |
| Interest on leases | 23(a) | 34,350 | 36,568 |
| Interest on tax liabilities | | 773 | 629 |
| Preferred dividends payable | 22(c) | 12,057 | 479 |
| | | **69,112** | **64,182** |

### (a) Accounting policy

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

Finance costs include interest on short term and long term borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, the interest expense on lease liabilities and preferred dividends payable by a subsidiary where the underlying preferred shares are classified as debt under AASB 132 *Financial Instruments*.

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

The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

## 6. Other expenses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Audit fees | 964 | 931 |
| Consulting fees | 1,399 | 2,096 |
| Consumables | 2,085 | 2,154 |
| Electricity | 8,891 | 9,650 |
| Insurance | 8,311 | 7,545 |
| Legal fees | 462 | 1,124 |
| Merchant fees | 5,601 | 8,268 |
| Printing, stationery and postage | 1,501 | 1,727 |
| Taxation fees | 23 | 103 |
| Telecommunications | 2,966 | 3,641 |
| Travel costs | 1,567 | 2,177 |
| Other administrative costs | 7,166 | 4,132 |
| Destapling costs | - | 403 |
| Other | 7,253 | 8,778 |
| | **48,189** | **52,729** |

## 7. Taxation

### (a) Income tax (benefit)/expense

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Current tax | | (434) | (104) |
| Deferred tax | | (353) | 3,395 |
| Over provided in prior year | | 176 | 492 |
| | | **(611)** | **3,783** |
| **Deferred income tax (benefit)/expense included in income tax (benefit)/expense comprises:** | | | |
| Decrease/(increase) in deferred tax assets | 7(f) | 5,451 | (10,140) |
| (Decrease)/increase in deferred tax liabilities | 7(h) | (5,804) | 13,535 |
| | | **(353)** | **3,395** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 7. Taxation (continued)

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

| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|
| **Prima facie loss before tax** | **(87,544)** | **(132,312)** |
| Tax at the Australian tax rate of 30% (2020: 30%) | (26,263) | (39,693) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment | 59 | 55 |
| Sundry items | 473 | 948 |
| Dreamworld incident costs | 1,080 | - |
| RedBird preferred stock dividend | 3,780 | - |
| Employee benefits | (95) | 28 |
| Tax deductible temporary differences for which deferred tax asset not recognised | (600) | 8,905 |
| Tax losses for which deferred tax asset not recognised | 17,695 | 27,776 |
| Foreign exchange conversion differences | (207) | 232 |
| US State taxes | (692) | (4,009) |
| Research and development and other credits | (605) | (708) |
| Difference in overseas tax rates | 4,588 | 9,757 |
| Over provided in prior year | 176 | 492 |
| **Income tax (benefit)/expense** | **(611)** | **3,783** |

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

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Revaluation of investment held at fair value | 20 | 553 | - |
| | | **553** | **-** |

### (d) Unrecognised temporary differences

| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|
| Australian deductible temporary differences for which no deferred tax asset has been recognised: | | |
| Property, plant and equipment | 50,621 | 52,808 |
| **Total temporary differences** | **50,621** | **52,808** |
| **Potential Australian tax benefit at 30%** | **15,186** | **15,842** |

### (e) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation and entered into tax sharing and tax funding agreements with the entities in the tax consolidated group. The tax sharing agreement limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ardent Leisure Group Limited.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 7. Taxation (continued)

### (e) Tax consolidation legislation (continued)

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

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

### (f) Deferred tax assets

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | |
| Allowance for expected credit losses - trade receivables | | - | 14 |
| Employee benefits | | 5,147 | 2,286 |
| Provisions and accruals | | 4,259 | 10,724 |
| Inventory diminution | | 134 | 147 |
| Deferred revenue | | 1,465 | 2,295 |
| Lease liabilities | | 85,215 | 89,891 |
| Tax losses | | 16,152 | 25,298 |
| Other | | 2,250 | 298 |
| **Deferred tax assets** | | **114,622** | **130,953** |
| Set-off of deferred tax balances pursuant to set-off provisions | | | |
| Australia | 7(h) | (117) | (113) |
| United States | 7(h) | (109,849) | (126,655) |
| **Net deferred tax assets** | | **4,656** | **4,185** |
| Movements | | | |
| Balance at the beginning of the year | | 130,953 | 46,822 |
| Adjustment for new lease accounting standard, AASB 16 *Leases* | | - | 74,238 |
| **Restated opening balance** | | **130,953** | **121,060** |
| Foreign exchange differences | | (11,433) | (247) |
| Credited to financial asset revaluation reserve | 20 | 553 | - |
| (Debited)/credited to the Income Statement | 7(a) | (5,451) | 10,140 |
| **Balance at the end of the year** | | **114,622** | **130,953** |
| Deferred tax assets to be recovered within 12 months | | 6,219 | 4,113 |
| Deferred tax assets to be recovered after more than 12 months | | 108,403 | 126,840 |
| | | **114,622** | **130,953** |

### (g) Unrecognised tax losses

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Unused US revenue tax losses for which deferred tax asset not recognised | 85,891 | 37,862 |
| Unused Australian revenue tax losses for which deferred tax asset not recognised | 91,446 | 66,083 |
| **Total losses** | **177,337** | **103,945** |
| Potential US tax benefit at 21% | 18,037 | 7,951 |
| Potential Australian tax benefit at 30% | 27,434 | 19,825 |
| **Potential tax benefit** | **45,471** | **27,776** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 7. Taxation (continued)

### (h) Deferred tax liabilities

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | |
| Prepayments | | 491 | 248 |
| Accrued revenue and other | | 32 | - |
| Property, plant and equipment | | 37,953 | 48,181 |
| Right-of-use assets | | 71,490 | 78,792 |
| **Deferred tax liabilities** | | **109,966** | **127,221** |
| Set-off deferred tax balances pursuant to set-off provisions | | | |
| Australia | 7(f) | (117) | (113) |
| United States | 7(f) | (109,849) | (126,655) |
| **Net deferred tax liabilities** | | **-** | **453** |
| Movements | | | |
| Balance at the beginning of the year | | 127,221 | 39,283 |
| Adjustment for new lease accounting standard, AASB 16 *Leases* | | - | 74,119 |
| **Restated opening balance** | | **127,221** | **113,402** |
| Foreign exchange differences | | (11,451) | 284 |
| (Credited)/debited to the Income Statement | 7(a) | (5,804) | 13,535 |
| **Balance at the end of the year** | | **109,966** | **127,221** |
| Deferred tax liabilities to be settled within 12 months | | 523 | 36 |
| Deferred tax liabilities to be settled after more than 12 months | | 109,443 | 127,185 |
| | | **109,966** | **127,221** |

### (i) Review of prior period taxation arrangements

As noted in the June 2020 annual report, a settlement was reached in October 2019 with the ATO under which the Group is required to make further tax payments in respect of prior periods totalling $15.9 million. Of this, $10.0 million (2020: $10.0 million) remains payable on deferred settlement terms commencing September 2021 for which a liability was recognised in the June 2021 financial statements. The ATO has taken security over the freehold and business assets of SkyPoint until such time as the tax liability is fully repaid.

## 7. Taxation (continued)

### (j) Accounting policy

***Tax***

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

***Goods and services tax (GST)***

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

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

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



Contents
Overview
Directors' Report
Performance
Consolidated Financial Statements
Working capital
Long term assets
Notes
Debt and equity
Financial Risk Management
Appendices
Unrecognised items
Other

# Notes to the Financial Statements
for the year ended 29 June 2021

## 8. Cash flow information

### (a) Reconciliation of loss for the year to net cash flows from operating activities

| | 2021<br>$'000 | 2020<br>$'000<br>Restated<br>(Note 16(a)) |
|---|---|---|
| Loss for the year | (86,933) | (136,095) |
| *Non-cash items* | | |
| Depreciation of property, plant and equipment | 55,673 | 60,718 |
| Amortisation | 30,074 | 33,424 |
| (Reversal of impairment)/impairment of property, plant and equipment | (524) | 15,802 |
| Impairment of right-of-use assets | 4,613 | 1,620 |
| Equity-based payments | (307) | 25 |
| Expected credit losses on receivables | 235 | 559 |
| Inventory provision decrease | (5) | (43) |
| Loss on sale of property, plant and equipment | 313 | 795 |
| Valuation gain on investment held at fair value | - | (390) |
| *Classified as financing activities* | | |
| Finance costs | 69,112 | 64,182 |
| RedBird preferred share issue costs | - | 2,326 |
| *Classified as investing activities* | | |
| Unrealised net loss on derivative financial instruments | 109 | 305 |
| *Changes in asset and liabilities:* | | |
| Decrease/(increase) in assets: | | |
| Receivables | 3,053 | 10,870 |
| Inventories | 1,530 | (33) |
| Deferred tax assets | 81 | 18,660 |
| Construction in progress inventories | 8,295 | (11,680) |
| Other assets | (1,309) | 5,273 |
| Increase/(decrease) in liabilities: | | |
| Payables and other liabilities | 20,785 | (1,633) |
| Provisions | 2,125 | (2,585) |
| Construction in progress deposits | (11,142) | 11,500 |
| Current tax liabilities | (1,459) | (6,019) |
| Non-current tax liabilities | - | 629 |
| Deferred tax liabilities | (409) | (15,492) |
| **Net cash flows from operating activities** | **93,910** | **52,718** |

## 8. Cash flow information (continued)

### (b) Cash and cash equivalents

Cash and cash equivalents at 29 June 2021 comprise the following:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash at banks and on hand | 108,638 | 152,323 |
| Short term deposits | 4,098 | 6,189 |
| Restricted cash | 2,226 | 3,105 |
| | **114,962** | **161,617** |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. Restricted cash includes deposits held as security for ancillary merchant, hedging and bank guarantee facilities.

Under the terms of the Group's financing facilities, cash and debt held by the Australian and US businesses are subject to 'ring fencing' provisions whereby each business cannot access cash or debt facilities held by the other. The cash available to the respective businesses at 29 June 2021 is as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Theme Parks and Corporate (Australian business) | 18,067 | 32,601 |
| Main Event (US business) | 96,895 | 129,016 |
| | **114,962** | **161,617** |

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

### (c) Accounting policy

***Interest income***

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

### (d) Changes in interest bearing liabilities arising from financing activities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest bearing liabilities | | |
| Opening interest bearing liabilities | 691,156 | 169,429 |
| Adoption of new lease accounting standard | - | 357,630 |
| **Restated opening interest bearing liabilities** | **691,156** | **527,059** |
| Changes from financing cash flows | (72,506) | 80,911 |
| Effect of changes in foreign currency rates | (63,721) | 1,882 |
| Changes in lease liabilities | 54,291 | 75,037 |
| Other | 15,481 | 6,267 |
| **Closing interest bearing liabilities** | **624,701** | **691,156** |
| Derivative financial instruments | | |
| Opening derivatives liability | 2,511 | 315 |
| Changes from financing cash flows | - | 1,931 |
| Changes in fair value | (106) | 265 |
| **Closing derivatives net liability** | **2,405** | **2,511** |
| **Total financial liabilities** | **627,106** | **693,667** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 9. Losses per share

| | 2021 | 2020 Restated (Note 16(a)) |
|---|---|---|
| Basic losses per share (cents) from continuing operations | (18.12) | (28.37) |
| **Total basic losses per share (cents)** | **(18.12)** | **(28.37)** |
| Diluted losses per share (cents) from continuing operations | (18.12) | (28.37) |
| **Total diluted losses per share (cents)** | **(18.12)** | **(28.37)** |
| Losses used in the calculation of basic and diluted earnings per share ($'000) | (86,933) | (136,095) |
| Weighted average number of shares on issue used in the calculation of basic losses per share ('000) | 479,706 | 479,661 |
| Weighted average number of shares held by employees under employee equity plans (refer to Note 35) ('000) | 9 | 141 |
| Weighted average number of shares on issue used in the calculation of diluted earnings per share ('000) | 479,706 | 479,661 |

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares on issue during the period.

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

## 10. Dividends paid and payable

No interim or final dividend has been paid or declared for the year ended 29 June 2021 (2020: Nil).

### (a) Franking credits

The tax consolidated group has franking credits of $1,501,307 (2020: $1,501,307).

## 11. Receivables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade receivables | 1,492 | 4,210 |
| Allowance for expected credit losses | (20) | (47) |
| Other receivables | - | 597 |
| | **1,472** | **4,760** |

The Group has recognised an expense of $234,849 in respect of expected credit losses (ECLs) during the year ended 29 June 2021 (2020: $558,643). The expense has been included in other expenses in the Income Statement.

Refer to Note 25(e) for information on the Group's management of, and exposure to, credit risk.

### (a) Accounting policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less allowances for ECLs. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The collectability of debts is reviewed on an ongoing basis. Debts are written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group applies a provision matrix in calculating ECLs for trade receivables. The provision rates are based on days past due for groupings of customers that have similar loss patterns and are based on the Group's historically observed default rates and adjusted with forward-looking information at each reporting date where applicable.

Assessment of the relationship between historical observed default rates, forecast economic conditions and ECLs requires judgement. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may not be representative of actual default rates in the future.

## 11. Receivables (continued)

### (a) Accounting policy (continued)

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

## 12. Inventories

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Goods held for resale | 6,514 | 8,034 |
| Provision for diminution | (181) | (176) |
| | **6,333** | **7,858** |

The expense relating to the write-downs of inventories during the year ended 29 June 2021 was $128,432 (2020: $60,029).

### (a) Accounting policy

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

## 13. Construction in progress

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

At 29 June 2021, construction of two centres are expected to be completed within 12 months and agreed timeframes.

### (a) Construction in progress inventories

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Carrying amount at the beginning of the year | 11,877 | 578 |
| Additions | 4,001 | 20,882 |
| Disposals | (12,296) | (9,202) |
| Foreign exchange movements | (214) | (381) |
| **Carrying amount at the end of the year** | **3,368** | **11,877** |

### (b) Construction in progress deposits

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Carrying amount at the beginning of the year | 11,413 | - |
| Additions | 1,154 | 20,771 |
| Disposals | (12,296) | (9,271) |
| Foreign exchange movements | (271) | (87) |
| **Carrying amount at the end of the year** | **-** | **11,413** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 13. Construction in progress (continued)

### (c) Accounting policy

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

## 14. Other assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Prepayments | 4,162 | 3,044 |
| Accrued revenue | 302 | 110 |
| | **4,464** | **3,154** |

## 15. Payables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current | | |
| Interest payable | 3,429 | 99 |
| GST payable | - | 224 |
| Trade creditors | 11,197 | 16,684 |
| Property expenses payable | - | 1,727 |
| Employee benefits | 27,206 | 12,257 |
| Deferred revenue | 16,070 | 13,841 |
| Property tax payable | 5,910 | 6,121 |
| Capital expenditure including construction in progress inventories payable | 6,395 | 858 |
| Other payables | 18,445 | 11,888 |
| **Total payables** | **88,652** | **63,699** |

### (a) Accounting policy

***Payables***

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

***Employee benefits***

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

## 16. Property, plant and equipment

| | | | | Restated (Note 16(a)) | | |
|---|---|---|---|---|---|---|
| Segment | Cost 2021 $'000 | Accumulated depreciation & impairments 2021 $'000 | Consolidated book value 2021 $'000 | Cost 2020 $'000 | Accumulated depreciation & impairments 2020 $'000 | Consolidated book value 2020 $'000 |
| Theme Parks | 309,623 | (197,922) | 111,701 | 290,841 | (192,075) | 98,766 |
| Main Event | 593,128 | (296,417) | 296,711 | 629,676 | (275,406) | 354,270 |
| Other | 4,133 | (4,034) | 99 | 5,341 | (4,636) | 705 |
| **Total** | **906,884** | **(498,373)** | **408,511** | **925,858** | **(472,117)** | **453,741** |

## 16. Property, plant and equipment (continued)

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

| | Land and buildings $'000 | Major rides and attractions $'000 | Plant and equipment $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| 2021 | | | | | | | |
| Carrying amount at the beginning of the year | 255,545 | 16,716 | 147,535 | 2,625 | 43 | 31,277 | 453,741 |
| Additions | 3,906 | 209 | 9,716 | 180 | - | 28,825 | 42,836 |
| Transfer from construction in progress | 2,352 | 6,123 | 6,701 | 854 | - | (16,030) | - |
| Transfer (to)/from intangible assets | - | - | - | (1) | - | 12 | 11 |
| Disposals | (991) | - | 374 | (129) | 1 | (67) | (812) |
| Depreciation | (6,209) | (2,337) | (46,289) | (795) | (27) | - | (55,657) |
| Foreign exchange movements | (18,648) | - | (12,855) | - | - | (629) | (32,132) |
| Impairment | 354 | - | 170 | - | - | - | 524 |
| **Carrying amount at the end of the year** | **236,309** | **20,711** | **105,352** | **2,734** | **17** | **43,388** | **408,511** |

| Restated (Note 16(a)) | Land and buildings $'000 | Major rides and attractions $'000 | Plant and equipment $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| 2020 | | | | | | | |
| Carrying amount at the beginning of the year | 235,875 | 16,685 | 159,335 | 2,073 | 96 | 41,842 | 455,906 |
| Additions | 28,479 | - | 15,873 | 25 | - | 30,463 | 74,840 |
| Transfer from construction in progress | 10,493 | 11,376 | 17,343 | 1,700 | 19 | (40,931) | - |
| Transfer to intangible assets | - | - | (50) | - | - | (4) | (54) |
| Disposals | (5,121) | (1,999) | 2,680 | (18) | - | (1,723) | (6,181) |
| Depreciation | (6,633) | (3,302) | (49,632) | (1,075) | (60) | - | (60,702) |
| Foreign exchange movements | 1,844 | - | 2,260 | - | - | 1,630 | 5,734 |
| Impairment | (9,392) | (6,044) | (274) | (80) | (12) | - | (15,802) |
| **Carrying amount at the end of the year** | **255,545** | **16,716** | **147,535** | **2,625** | **43** | **31,277** | **453,741** |

### (a) Changes in accounting policies and disclosures

***Measurement basis for Theme Parks land, buildings and major rides and attractions***

The Group re-assessed its accounting for property, plant and equipment (PPE) with respect to measurement of certain classes of PPE after initial recognition. The Group had previously measured Theme Parks land, buildings and major rides and attractions using the revaluation model. Assets measured under the revaluation model were carried at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other classes of PPE have been measured by the Group using the cost model.

During the year, the Group elected to change the method of accounting for PPE carried under the revaluation model, as the Group believes that the cost model provides reliable and more relevant information to the users of its financial statements as it is more aligned to practices adopted by its competitors and enables better comparability between the Group's businesses and assets, and with industry peers. The Group has applied the cost model retrospectively, and prior year comparatives have been restated in these financial statements.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 16. Property, plant and equipment (continued)

### (a) Changes in accounting policies and disclosures (continued)

***Impact on the consolidated Income Statement:***

The change in accounting policy affected the following items in the Group's prior year Income Statement:

| Income Statement increase/(decrease) in loss | 2020 As reported $'000 | 2020 Adjustment $'000 | 2020 Restated $'000 |
|---|---|---|---|
| Loss on disposal of assets | 407 | 388 | 795 |
| Impairment of property, plant and equipment | 5,436 | 10,366 | 15,802 |
| Valuation loss – property, plant and equipment | 10,366 | (10,366) | - |
| **Net impact before tax expense** | **16,209** | **388** | **16,597** |
| Income tax expense | 4,701 | (918) | 3,783 |
| **Net impact after tax expense** | **20,910** | **(530)** | **20,380** |

***Impact on the consolidated Balance Sheet:***

The change in accounting policy affected the following items in the Group's prior year Balance Sheets:

| Balance Sheet increase/(decrease) | 2019 As reported $'000 | 2019 Adjustment $'000 | 2019 Restated $'000 | 2020 As reported $'000 | 2020 2019 Adjustment $'000 | 2020 2020 Adjustment $'000 | 2020 Restated $'000 |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Property, plant and equipment: | | | | | | | |
| Land and buildings | 191,144 | 44,731 | 235,875 | 199,934 | 44,731 | 10,880 | 255,545 |
| Major rides and attractions | 66,454 | (49,769) | 16,685 | 74,467 | (49,769) | (7,982) | 16,716 |
| Plant and equipment | 174,882 | (15,547) | 159,335 | 163,200 | (15,547) | (118) | 147,535 |
| Construction work in progress | 41,842 | - | 41,842 | 31,277 | - | - | 31,277 |
| Furniture, fittings and equipment | 4,001 | (1,928) | 2,073 | 4,650 | (1,928) | (97) | 2,625 |
| Motor vehicles | 318 | (222) | 96 | 277 | (222) | (12) | 43 |
| **Total impact on assets** | **478,641** | **(22,735)** | **455,906** | **473,805** | **(22,735)** | **2,671** | **453,741** |
| Equity | | | | | | | |
| Reserves | (92,039) | (15,499) | (107,538) | (89,505) | (15,499) | 2,141 | (102,863) |
| Accumulated losses | (300,187) | (7,236) | (307,423) | (436,861) | (7,236) | 530 | (443,567) |
| **Total impact on equity** | **(392,226)** | **(22,735)** | **(414,961)** | **(526,366)** | **(22,735)** | **2,671** | **(546,430)** |

The adjustments above reflect the reversal of previously revaluation increments relating to SkyPoint and Excess Land adjacent to Dreamworld, and the corresponding tax impact on June 2019 opening retained earnings.

***Impact on Earnings per share:***

The change in accounting policy affected the Group's prior year losses per share as follows:

| Losses per share increase/(decrease) | 2020 As reported $'000 | 2020 Adjustment $'000 | 2020 Restated $'000 |
|---|---|---|---|
| Basic losses per share from continuing operations | 28.48 | (0.11) | 28.37 |
| Diluted losses per share from continuing operations | 28.48 | (0.11) | 28.37 |

## 16. Property, plant and equipment (continued)

### (b) Accounting policy

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

***Impairment of assets***

Property, plant and equipment and lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing impairment of assets, the Group has determined that it has the following CGUs:

- Dreamworld/WhiteWater World combined theme park;
- SkyPoint, including the SkyPoint climb;
- Dreamworld excess land; and
- Each individual Main Event US entertainment centre.

In previous years, the Group performed an impairment assessment of property, plant and equipment and lease right-of-use assets in accordance with AASB 136 *Impairment of assets*. This analysis determined that the carrying value of these assets in four Main Event centres exceeded their recoverable amount by US$28.5 million (A$41.5 million) and impairment losses were recognised for this amount.

In the current year, the challenging conditions brought about by COVID-19 have continued to have an adverse impact on the carrying value of property, plant and equipment and lease right-of-use assets. This has resulted in an additional impairment loss of US$3.1 million (A$4.1 million) relating to these impaired centres.

***Key impairment assumptions and sensitivities***

The recoverable amount of assets has been determined based on value-in-use calculations, which include the following key assumptions:

| Main Event | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Pre-tax discount rate | 15.2% | 13.9% |
| Long term EBITDA growth rate | 3.0% | 1.0% |

| Dreamworld | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Pre-tax discount rate | 13.6% | 13.0% |
| Long term EBITDA growth rate | 2.5% | 2.5% |

| SkyPoint | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Pre-tax discount rate | 14.3% | 14.0% |
| Long term EBITDA growth rate | 2.5% | 2.5% |

The assets at Dreamworld are recorded at their recoverable amount, net of cumulative impairments. While the directors consider the above assumptions to be reasonable, possible changes in these assumptions could result in further impairments or reversals of impairments. The sensitivity of Dreamworld assets' value-in-use to changes in key assumptions are as follows:

| Dreamworld | | Change in value-in-use $'000 |
|---|---|---|
| Pre-tax discount rate | +0.5% | (4,917) |
| | -0.5% | 5,149 |
| 10-year Average Annual EBTDA | +5% | 4,129 |
| | -5% | 4,129 |
| Long term EBITDA growth rate | +0.5% | 3,705 |
| | -0.5% | (3,385) |

For Main Event and SkyPoint assets, the Directors do not consider a change in any of the key assumptions which would cause the carrying amount to exceed their recoverable amount to be reasonably possible.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 16. Property, plant and equipment (continued)

### (b) Accounting policy (continued)

***Depreciation***

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

| | 2021 | 2020 |
|---|---|---|
| Buildings | 10 - 40 years | 20 - 40 years |
| Land improvements | 20 - 40 years | 20 - 40 years |
| Major rides & attractions | 5 - 40 years | 5 - 40 years |
| Plant and equipment | 3 - 25 years | 4 - 25 years |
| Furniture, fittings & equipment | 3 - 20 years | 3 - 25 years |
| Motor vehicles | 4 - 10 years | 4 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

## 17. Intangible assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Goodwill at cost | 68,284 | 73,617 |
| Accumulated impairment | (12,880) | (12,880) |
| | **55,404** | **60,737** |
| Other intangibles at cost | 36,942 | 35,188 |
| Accumulated amortisation and impairment | (17,793) | (15,827) |
| | **19,149** | **19,361** |
| **Total intangible assets** | **74,553** | **80,098** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Goodwill | | |
| Opening net book amount | 60,737 | 59,950 |
| Foreign exchange movements | (5,333) | 787 |
| **Closing net book amount** | **55,404** | **60,737** |
| Other intangibles | | |
| Opening net book amount | 19,361 | 19,023 |
| Additions | 6,430 | 6,534 |
| Transfer (to)/from property, plant and equipment | (11) | 54 |
| Disposals | (18) | (1,525) |
| Amortisation | (5,063) | (4,922) |
| Foreign exchange movements | (1,550) | 197 |
| **Closing net book amount** | **19,149** | **19,361** |
| **Total intangible assets** | **74,553** | **80,098** |

## 17. Intangible assets (continued)

### (a) Goodwill

Goodwill represents goodwill acquired by the Group as part of various acquisitions. Goodwill is monitored by management at the operating segment level. Management reviews the business performance based on geography and type of business as disclosed in Note 2.

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| United States | | |
| Main Event | 55,404 | 60,737 |
| | **55,404** | **60,737** |

### *(i) Impairment tests for goodwill*

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

*Key assumptions used for value in use calculations*

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

| | Budget/forecast period EBITDA growth rate(1) | | Long term EBITDA growth rate(2) | | Post-tax discount rate(3) | |
|---|---|---|---|---|---|---|
| | 2021 % per annum | 2020 % per annum | 2021 % per annum | 2020 % per annum | 2021 % per annum | 2020 % per annum |
| Main Event | 15.25 | 19.91 | 2.00 | 2.00 | 15.75 | 12.00 |

(2) Compound annual growth rate over the five-year budget/forecast period.

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

(4) In performing the value in use calculation, the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows. The pre-tax discount rate is 16.26% (2020: 12.16%).

The period over which management has projected the CGU cash flows is five years. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are post tax and reflect specific risks relating to the country in which the CGU operates.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the FY22-FY26 financial year budgets/forecasts. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

*Sensitivity to changes in assumptions*

Management recognises that the calculation of recoverable amount can vary based on the assumptions used to project or discount cash flows and those changes to key assumptions can result in recoverable amounts falling below carrying amounts. In relation to the CGUs above, the recoverable amounts of Main Event centres are in excess of their carrying amounts.

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

### (b) Accounting policy

***Software***

Software is amortised on a straight-line basis over the period during which the benefits are expected to be received, which is between 5 – 8 years (2020: 5 – 8 years).

***Goodwill***

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 17. Intangible assets (continued)

### (b) Accounting policy (continued)

***Goodwill (continued)***

Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (refer to Note 2).

***Impairment of assets***

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

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

***Other intangibles***

Other intangibles including the Safety Case and licence to operate for amusement parks are amortised on a straight-line basis over the period during which the benefits are expected to be received, which is five years.

## 18. Contributed equity

| No. of shares | Details | Date of income entitlement | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|
| 479,706,016 | Shares on issue at beginning of the year | 30 Jun 2020 | 777,124 | 777,124 |
| **479,706,016** | **Shares on issue at end of the year** | **29 Jun 2021** | **777,124** | **777,124** |

## 19. Other equity

| | No. of shares | | $'000 | |
|---|---|---|---|---|
| **Treasury shares** | **2021** | **2020** | **2021** | **2020** |
| Opening balance | - | 142,167 | - | 148 |
| Acquisition of treasury shares | - | 119,421 | - | 137 |
| Issuance of treasury shares | - | (261,588) | - | (285) |
| **Closing balance** | **-** | **-** | **-** | **-** |

### (a) Accounting policy

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

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

## 20. Reserves

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Foreign currency translation reserve | | | |
| Opening balance | | (568) | (5,355) |
| Transfer to accumulated losses for discontinued operation | | - | 49 |
| Translation of foreign operations | | (11,810) | 4,738 |
| **Closing balance** | | **(12,378)** | **(568)** |
| Equity-based payment reserve | | | |
| Opening balance | | (8,204) | (8,092) |
| Option expense | | (318) | (112) |
| **Closing balance** | | **(8,522)** | **(8,204)** |
| Financial asset revaluation reserve | | | |
| Opening balance | | - | - |
| Revaluation - investment held at fair value | 30 | (1,843) | - |
| Tax impact of revaluation | | 553 | - |
| **Closing balance** | | **(1,290)** | **-** |
| Corporate restructure reserve | | | |
| Opening balance | | (94,091) | (94,091) |
| Impact of corporate restructure | | - | - |
| **Closing balance** | | **(94,091)** | **(94,091)** |
| **Total reserves** | | **(116,281)** | **(102,863)** |

### Foreign currency translation reserve

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

### Equity-based payment reserve

The equity-based payment reserve is used to recognise the fair value of performance rights issued to employees under the Group's DSTI and LTIP.

### Corporate restructure reserve

Under the corporate restructure in December 2018, Ardent Leisure Group Limited shares were issued to security holders in exchange for their stapled securities. Ardent Leisure Group Limited share capital was measured at fair value at the date of the transaction, being the market capitalisation of the previous stapled Ardent Leisure Group at the date of implementation ($777.1 million). The difference between the contributed equity of Ardent Leisure Group Limited and the pre-restructure contributed equity of the stapled Ardent Leisure Group at the date of the transaction was recognised as a corporate restructure reserve.

## 21. Accumulated losses

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Opening balance | | (443,567) | (307,071) |
| Loss for the year | | (86,933) | (136,095) |
| Impact of change in accounting standard | | - | (352) |
| Transfer from foreign currency translation reserve | 20 | - | (49) |
| **Closing balance** | | **(530,500)** | **(443,567)** |

## 22. Interest bearing liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current | | |
| US Term debt | 1,865 | 2,040 |
| Lease liabilities | 21,642 | 26,863 |
| **Total current** | **23,507** | **28,903** |
| Non-current | | |
| US Term debt & revolving credit | 181,022 | 237,983 |
| Less: unamortised loan costs | (5,306) | (7,445) |
| Queensland Government loan | 13,753 | - |
| Less: unamortised loan costs | (584) | - |
| RedBird preferred stock | 75,692 | 70,322 |
| Less: unamortised borrowing costs | (6,923) | (8,685) |
| Series B preferred stock | 1,198 | - |
| Lease liabilities | 342,342 | 370,078 |
| **Total non-current** | **601,194** | **662,253** |
| **Total interest bearing liabilities** | **624,701** | **691,156** |

### (a) US term debt and revolving credit facilities

The Group's wholly-owned US subsidiary, Main Event Entertainment, Inc. (Main Event) has access to a US$138.3 million (2020: US$139.7 million) term loan facility, comprising a US$123.5 million (2020 US$124.8 million) drawn term loan and a US$14.8 million (2020: US$14.9 million) delayed draw term loan, as well as a US$25.2 million (2020: US$25 million) revolving credit facility (collectively, the Facility). The facility is secured and guaranteed by Main Event and is non-recourse to the other assets of the Group.

The term debt facilities require principal repayments equal to 1.0% of the original principal amounts drawn on these facilities each year.

In April 2020, Main Event's US debt facility was amended to remove US$60.0 million undrawn capacity from its delayed draw term loan (DDTL) facility. This change was required by the lender in exchange for their consent for covenant waivers for the four quarters ending March 2021, due to the impact of the COVID-19 pandemic.

Notwithstanding the waiver noted above, the terms of the facility ordinarily impose a net leverage covenant on Main Event, being the ratio of net debt to EBITDA adjusted for unrealised and certain non-cash and other one-off items (adjusted EBITDA) as well as a minimum cash holding requirement.

All of Main Event's debt facilities have a variable interest rate. As detailed in Note 24, the interest rates on the loans have been partially fixed during the year using interest rate swaps and caps. The weighted average interest rates payable on the loans at 29 June 2021, including the impact of the interest rate caps in place at 29 June 2021, is 7.50% per annum (2020: 7.98% per annum) for USD denominated debt.

As at 29 June 2021, Main Event had unrestricted access to the following credit facilities:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Main Event US$ term debt[1] | 182,887 | 203,596 |
| Amount used | (182,887) | (203,596) |
| **Amount unused** | **-** | **-** |
| Main Event US$ revolving credit facility[2] | 33,056 | 36,427 |
| Amount used | - | (36,427) |
| **Amount unused** | **33,056** | **-** |
| Total facilities | 215,943 | 240,023 |
| Total amount used | (182,887) | (240,023) |
| **Total amount unused** | **33,056** | **-** |

(1) Main Event US$123.5 million term debt and US$14.8 million delayed draw term debt facilities will mature on 4 April 2025.
(2) Main Event US$25.0 million revolving credit facility will mature on 4 April 2024.

### (b) Queensland Government loan

On 7 August 2020, the Group secured a financial assistance package for its Theme Parks division under the Queensland Government's COVID-19 Industry Support Package and Queensland Tourism Icons Program 2020.

The package totalling $69.9 million comprises a three-year secured loan facility of $63.7 million (which includes capitalised interest and fees) and grants of $6.2 million which can be used to fund working capital and approved capital expenditure. The loan facility was effective from 15 October 2020 and is mutually exclusive from the debt facility in place for the Group's US Main Event business.

The weighted average interest rate payable on the Queensland Government loan at 29 June 2021 is 4.09% per annum.

As at 29 June 2021, the Australian business has access to the following credit facilities:

| | 2020 $'000 |
|---|---|
| Queensland Government loan facility | 63,662 |
| Amount used | (13,753) |
| **Amount unused** | **49,909** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 22. Interest bearing liabilities (continued)

### (c) RedBird preferred stock

On 15 June 2020, the Group entered into a partnership transaction with a US-based private investment firm, RedBird Capital Partners (RedBird) under which RedBird invested US$80.0 million via Series A Preferred Stock into Main Event's US parent entity, Ardent Leisure US Holding Inc (ALUSH).

The preferred stock entitles RedBird to a 10.0% per annum preferred coupon on the US$80.0 million invested, which is not paid in cash but accumulates and compounds semi-annually. RedBird is also entitled to participate in common stock dividends of ALUSH and residual net assets in the event of its liquidation.

In conjunction with the transaction, RedBird was granted an option to acquire additional equity in ALUSH which would enable it to move to a 51% controlling interest, exercisable between 30 June 2022 and 30 June 2024.

In accordance with the requirements of AASB 132 *Financial Instruments*, this investment is classified as a compound financial instrument and split into the following components:

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Interest bearing liability | | 68,769 | 61,637 |
| Equity (minority interest in the Group) | | 39,046 | 39,190 |
| Derivative option liability | 24 | 2,434 | 1,931 |

### (d) ALUSH series B preferred stock

On 16 March 2021, key executives of Main Event Entertainment, Inc (Main Event) purchased 1,100 shares of newly issued Series B Preferred Stock in ALUSH for US$1.1 million. The stock entitles each investor a preferential dividend of 10% per annum, which is not paid in cash but accumulates and compounds semi-annually. Investors are also entitled to participate in common stock dividends of ALUSH and residual net assets in the event of its liquidation. Series B Preferred Stock will convert into common stock when RedBird's Series A Preferred Stock converts to common stock.

In accordance with requirements of AASB 132 *Financial Instruments*, this investment is classified as a compound financial instrument and split into the following components:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest bearing liability | 1,198 | - |
| Equity (minority interest in the Group) | 295 | - |

### (e) Total secured liabilities and assets pledged as security

The carrying amounts of Main Event assets pledged as security for the US term debt and revolving credit facilities are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current assets | 63,124 | 56,149 |
| Non-current assets | 599,594 | 691,115 |
| **Total assets** | **662,718** | **747,264** |

The carrying amounts of Theme Park assets pledged as security for the Queensland Government loan facility are as follows:

| | 2021 $'000 |
|---|---|
| Current assets | 22,212 |
| Non-current assets | 116,521 |
| **Total assets** | **138,733** |

### (f) Accounting policy

***Interest bearing liabilities***

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowing using the effective interest rate method.

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 23. Leases

### (a) Amounts recognised in the balance sheet

| June 2021<br>Right-of-use assets | Buildings<br>$'000 | Equipment<br>$'000 | Vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| At 1 July 2020 | 326,402 | 654 | 2 | 327,058 |
| Additions | 18,390 | 92 | - | 18,482 |
| Amortisation | (24,666) | (342) | (3) | (25,011) |
| Modifications to lease terms | (366) | 147 | 5 | (214) |
| Leases terminated | (20) | - | - | (20) |
| Variable lease payment adjustments | 1,762 | - | - | 1,762 |
| Foreign exchange movements | (30,671) | (61) | - | (30,732) |
| Impairment | (4,613) | - | - | (4,613) |
| **At 29 June 2021** | **286,218** | **490** | **4** | **286,712** |

| June 2020<br>Right-of-use assets | Buildings<br>$'000 | Equipment<br>$'000 | Vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| At 26 June 2019 | 310,560 | 959 | 9 | 311,528 |
| Additions | 17,705 | 44 | - | 17,749 |
| Amortisation | (28,126) | (369) | (7) | (28,502) |
| Modifications to lease terms | 30,757 | - | - | 30,757 |
| Leases terminated | (9,185) | - | - | (9,185) |
| Variable lease payment adjustments | 1,595 | - | - | 1,595 |
| Foreign exchange movements | 4,716 | 20 | - | 4,736 |
| Impairment | (1,620) | - | - | (1,620) |
| **At 30 June 2020** | **326,402** | **654** | **2** | **327,058** |

| June 2021<br>Lease liabilities | Buildings<br>$'000 | Equipment<br>$'000 | Vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| At 1 July 2020 | 396,238 | 701 | 2 | 396,941 |
| Additions | 18,390 | 92 | - | 18,482 |
| Interest expenses | 34,287 | 63 | - | 34,350 |
| Modifications to lease terms | (448) | 147 | 5 | (296) |
| Leases terminated | (16) | - | - | (16) |
| Variable lease payment adjustments | 1,771 | - | - | 1,771 |
| Lease payments | (49,464) | (387) | (6) | (49,857) |
| Foreign exchange movements | (37,325) | (66) | - | (37,391) |
| **At 29 June 2021** | **363,433** | **550** | **1** | **363,984** |

| June 2020<br>Lease liabilities | Buildings<br>$'000 | Equipment<br>$'000 | Vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| At 26 June 2019 | 356,662 | 959 | 9 | 357,630 |
| Additions | 21,365 | 44 | - | 21,409 |
| Interest expenses | 36,492 | 76 | - | 36,568 |
| Modifications to lease terms | 30,757 | - | - | 30,757 |
| Leases terminated | (15,292) | - | - | (15,292) |
| Variable lease payment adjustments | 1,595 | - | - | 1,595 |
| Lease payments | (40,321) | (397) | (7) | (40,725) |
| Foreign exchange movements | 4,980 | 19 | - | 4,999 |
| **At 30 June 2020** | **396,238** | **701** | **2** | **396,941** |

Lease liabilities are presented in the balance sheet as follows:

| Interest bearing liabilities | Note | June 2021<br>$'000 | June 2020<br>$'000 |
|---|---|---|---|
| Current | 22 | 21,642 | 26,863 |
| Non-current | 22 | 342,342 | 370,078 |
| | | **363,984** | **396,941** |

## 23. Leases (continued)

### (b) Additional profit or loss and cashflow information

The group recognised rent expenses from variable lease payments of $296,584 for the year ended 29 June 2021 (2020: $98,666).

Cash flows in respect of leases in current period are $52.6 million (2020: $40.7 million). For interest expense in relation to leasing labilities, refer to finance costs (Note 5).

### (c) Accounting policy

For new contracts entered into, the Group considers whether the contract is, or contains a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assess whether, throughout the period of use, it has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all identified lease contracts in which it is a lessee.

#### *(i) Lease liabilities*

At the commencement date of the lease, the Group recognises a lease liability measured at present value of lease payments to be made over the lease term.

Lease payments include:

- Fixed payments (including reasonably certain extension options), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

Cash payments for the principal and interest portion of lease liabilities are classified as financing activities within the statement of cashflows. Cash payments for variable lease payments not measured in lease liability are presented within the operating activities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Subsequent to initial measurement, lease liabilities increase to reflect the accretion of interest on the balance outstanding and are reduced for lease payments made. The finance cost for interest on the lease is charged to profit or loss over the lease period.

The lease liability is remeasured to reflect any reassessment or modification of lease term or changes in the in-substance fixed payments. When the lease liability is remeasured, a corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has not elected to apply the short-term lease and the low-value assets lease practical expedients. These leases are included in the measurement of lease liability.

#### *(ii) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received or make good costs to be incurred at the end of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of- use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment and, where required, impairment testing is performed in conjunction with property, plant and equipment (refer to Note 16(b)).

#### *(iii) Significant judgement in determining the lease term of contracts*

The Group determines the lease term as the non-cancellable period of the lease, together with any periods covered by options to extend the lease if the Group is reasonably certain to exercise those options. The Group has the option, under some of its leases to extend the lease for additional terms of 5-15 years. Management uses its judgement and experience to determine whether or not an option would be reasonably certain to be exercised on a lease by lease basis. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the renewal option.

## 23. Leases (continued)

### (c) Accounting policy (continued)

***(iii) Significant judgement in determining the lease term of contracts (continued)***

The Main Event business has projected a 20-year operating cycle for each entertainment centre, with further consideration of specific facts and performance of individual centres in determining the respective lease terms of each of its property leases. Leases for equipment and vehicles do not generally contain renewal option periods.

## 24. Derivative financial instruments

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Non-current assets | | |
| Interest rate caps | 29 | 29 |
| | **29** | **29** |
| Current liabilities | | |
| Forward foreign exchange contracts | - | 24 |
| Interest rate swaps | - | 585 |
| | **-** | **609** |
| Non-current liabilities | | |
| RedBird call option (refer Note 22(c)) | 2,434 | 1,931 |
| | **2,434** | **1,931** |

### (a) Forward foreign exchange contracts

In the prior year, the Group entered into forward foreign exchange contracts to buy Euro and sell Australian dollars. These contracts totalled $3.0 million at 30 June 2020.

The Group elected not to apply hedge accounting for its forward foreign exchange contracts. Accordingly changes in fair value of these contracts were recorded in the Income Statement. Notwithstanding the accounting outcome, the Group considered that these derivative contracts were appropriate and effective in offsetting the economic foreign exchange exposures of the Group.

### (b) Interest rate swaps and interest rate caps

During the year, the Group had interest rate swap agreements totalling US$70.0 million (2020: US$70.0 million) that entitled it to receive interest, at monthly/quarterly intervals, at a floating rate on a notional principal and obliged it to pay interest at a fixed rate. The interest rate swap agreements allowed the Group to effectively swap a floating rate of interest on the notional principal amount into a fixed rate. These swaps expired on 3 December 2020.

The Group also has an interest rate cap agreement in place effective from 3 December 2020 under which it can limit its interest expense on an initial notional principal amount of US$70.0 million. This notional principal amount reduced to US$55.0 million in April 2021 and will further reduce to US$40.0 million in April 2022 and US$20.0 million in April 2023, with the agreement terminating in April 2024.

The Group has elected not to apply hedge accounting for its interest rate swap and cap agreements. Accordingly, changes in fair value of these swaps and caps are recorded in the Income Statement. Notwithstanding the accounting outcome, the Company considers that these derivative contracts are appropriate and effective in offsetting adverse economic interest rate exposures of the Group.

The table below shows the notional value and maturity profile of the interest rate swaps and caps:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Less than 1 year | 19,833 | 123,852 |
| 1 - 2 years | 26,445 | 21,856 |
| 2 - 3 years | 26,445 | 29,142 |
| 3 - 4 years | - | 29,142 |
| | **72,723** | **203,992** |

### (c) Accounting policy

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

The Group documents at the inception of the hedging transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months. They are classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

***Derivatives that do not qualify for hedge accounting***

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

## 24. Derivative financial instruments (continued)

### (c) Accounting policy (continued)

***Cash flow hedges***

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

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

## 25. Capital and financial risk management

### (a) Capital risk management

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

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

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

The Group has a target gearing ratio of 30% to 35% of net debt to net debt plus equity.

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

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

### (b) Financial risk management

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

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Group manages its exposure to these financial risks in accordance with the Group's Financial Risk Management (FRM) policy as approved by the Board.

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

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

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

### (c) Market risk

***(i) Foreign exchange risk***

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

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

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 25. Capital and financial risk management (continued)

### (c) Market risk (continued)

### *(i) Foreign exchange risk (continued)*

*Foreign investment*

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

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

| | Australian dollars | | US dollars | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) | 2021 $'000 | 2020 $'000 |
| Assets | | | | |
| Cash and cash equivalents | 18,067 | 32,601 | 96,895 | 129,016 |
| Receivables, inventories and other current assets | 4,146 | 5,707 | 8,123 | 10,065 |
| Derivative financial instruments | 29 | - | - | 29 |
| Construction in progress inventories | - | - | 3,368 | 11,877 |
| Investment held at fair value | 1,358 | 3,201 | - | - |
| Property, plant and equipment | 111,800 | 99,471 | 296,711 | 354,270 |
| Intangible assets | 6,151 | 5,629 | 68,402 | 74,469 |
| Right-of-use assets | 145 | 182 | 286,567 | 326,876 |
| Other non-current assets | 4,814 | 4,389 | 29 | - |
| **Total assets** | **146,510** | **151,180** | **760,095** | **906,602** |
| Liabilities | | | | |
| Current payables and other current liabilities | 27,481 | 14,474 | 70,576 | 54,132 |
| Construction in progress deposits | - | - | - | 11,413 |
| Derivative financial instruments | - | 24 | 2,434 | 2,516 |
| Interest bearing liabilities | 13,316 | 243 | 611,385 | 690,913 |
| Non-current payables and other non-current liabilities | 9,540 | 11,383 | 2,189 | 2,800 |
| **Total liabilities** | **50,337** | **26,124** | **686,584** | **761,774** |
| **Net assets** | **96,173** | **125,056** | **73,511** | **144,828** |
| Notional value of derivatives | - | - | - | - |
| **Net exposure to foreign exchange movements** | **-** | **-** | **73,511** | **144,828** |

## 25. Capital and financial risk management (continued)

### (c) Market risk (continued)

#### *(ii) Foreign exchange rate sensitivity*

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

| | Profit movement | | Total equity movement | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| AUD:USD - increase 10% | - | - | (6,683) | (13,184) |
| AUD:USD - decrease 10% | - | - | 8,168 | 16,114 |

*Foreign income*

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

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

#### *(iii) Interest rate risk*

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

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

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

| | Australian interest | | US interest | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Floating rates | | | | |
| Cash and cash equivalents | 18,067 | 32,601 | 96,895 | 129,016 |
| Interest bearing liabilities | (13,753) | - | (182,887) | (240,023) |
| | **4,314** | **32,601** | **(85,992)** | **(111,007)** |
| Interest rate swaps and interest rate caps | - | - | 72,722 | 101,996 |
| **Net interest rate exposure** | **4,314** | **32,601** | **(13,270)** | **(9,011)** |

Refer to Note 24 for further details on the interest rate swaps and interest rate caps.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 25. Capital and financial risk management (continued)

### (c) Market risk (continued)

#### *(iv) Interest rate sensitivity*

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

| | Profit movement | | Total equity movement | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| 1% increase in AUD rate | 43 | 329 | 43 | 329 |
| 1% decrease in AUD rate | (43) | (329) | (43) | (329) |
| 1% increase in USD rate | (133) | (90) | (133) | (90) |
| 1% decrease in USD rate | 133 | 90 | 133 | 90 |

At reporting date, the Group has fixed 36.98% (2020: 42.49%) of its floating interest exposure.

### (d) Liquidity risk

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

The following tables provide the contractual maturity of the Group's fixed and floating rate financial liabilities and derivatives as at 29 June 2021. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the values shown in the Balance Sheet. Repayments which are subject to notice are treated as if notice were given immediately.

| 2021 | Book value $'000 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 3 years $'000 | 3 to 4 years $'000 | 4 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 88,652 | 88,652 | - | - | - | - | - | 88,652 |
| Lease liabilities | 363,984 | 54,863 | 49,232 | 49,483 | 49,960 | 49,872 | 408,553 | 661,963 |
| Term debt | 182,887 | 15,544 | 15,592 | 15,451 | 187,744 | - | - | 234,331 |
| Preferred shares of subsidiaries | 76,890 | - | - | - | - | - | 209,433 | 209,433 |
| Queensland Government loan | 13,753 | 562 | 754 | 14,005 | - | - | - | 15,321 |
| Current and non-current tax liabilities | 11,619 | 2,500 | 2,500 | 2,500 | 2,500 | 3,652 | - | 13,652 |
| **Total undiscounted financial liabilities** | **737,785** | **162,121** | **68,078** | **81,439** | **240,204** | **53,524** | **617,986** | **1,223,352** |

| 2020 | Book value $'000 | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 3 years $'000 | 3 to 4 years $'000 | 4 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 63,699 | 63,699 | - | - | - | - | - | 63,699 |
| Lease liabilities | 396,941 | 61,855 | 51,041 | 51,281 | 51,370 | 51,085 | 432,939 | 699,571 |
| Term debt | 240,023 | 20,066 | 20,166 | 20,016 | 55,670 | 207,377 | - | 323,295 |
| Preferred shares of subsidiaries | 70,322 | - | - | - | - | - | 230,795 | 230,795 |
| Current and non-current tax liabilities | 11,694 | 1,065 | 2,500 | 2,500 | 2,500 | 2,500 | 3,219 | 14,284 |
| Interest rate swaps and caps | 585 | 870 | - | - | - | - | - | 870 |
| Forward foreign exchange contracts | 24 | 3,022 | - | - | - | - | - | 3,022 |
| **Total undiscounted financial liabilities** | **783,288** | **150,577** | **73,707** | **73,797** | **109,540** | **260,962** | **666,953** | **1,335,536** |

## 25. Capital and financial risk management (continued)

### (e) Credit risk

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

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

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

Credit risk adjustments relating to receivables have been applied in line with the policy set out in Note 11. No fair value adjustment has been made to derivative financial assets or cash investments, with the impact of credit risk being assessed as minimal. The Group's maximum exposure to credit risk is noted in the table below.

Details of the concentration of credit exposure of the Group's assets are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash and cash equivalents | 114,962 | 161,617 |
| Receivables - Australia | 692 | 2,679 |
| Receivables - US | 780 | 2,081 |
| Derivative financial instruments | 29 | 29 |
| | **116,463** | **166,406** |

All cash, derivative financial instruments and interest-bearing receivables are neither past due nor impaired.

The table below shows the ageing analysis of those receivables which are past due or impaired:

| | Past due but not impaired | | | | Impaired | Total |
|---|---|---|---|---|---|---|
| | Less than 30 days $'000 | 31 to 60 days $'000 | 61 to 90 days $'000 | More than 90 days $'000 | $'000 | $'000 |
| 2021 | | | | | | |
| Receivables - Australia | 640 | 39 | (1) | 14 | 20 | 712 |
| Receivables - US | 629 | 118 | 31 | 2 | - | 780 |
| | **1,269** | **157** | **30** | **16** | **20** | **1,492** |
| 2020 | | | | | | |
| Receivables - Australia | 2,012 | 30 | 3 | 38 | 47 | 2,130 |
| Receivables - US | 1,995 | - | - | 85 | - | 2,080 |
| | **4,007** | **30** | **3** | **123** | **47** | **4,210** |

Based on a review of receivables by management, a provision of $19,500 (2020: $47,157) has been made against receivables with a gross balance of $19,500 (2020: $47,157).

The Group holds collateral against the impaired receivables in the form of bank guarantees and security deposits; however, these are not material.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 26. Fair value measurement

### (a) Fair value hierarchy

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments; and
- Investment held at fair value.

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

| 2021 | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| Assets measured at fair value: | | | | | |
| Investment held at fair value | | - | - | 1,358 | 1,358 |
| Derivative financial instruments | 24 | - | 29 | - | 29 |
| Liabilities measured at fair value: | | | | | |
| RedBird share purchase option | 24 | - | - | 2,434 | 2,434 |
| Liabilities for which fair values are disclosed: | | | | | |
| Interest bearing liabilities | 26(c) | - | 182,887 | - | 182,887 |
| RedBird preferred shares | 26(c) | - | - | 75,692 | 75,692 |
| ALUSH Series B preferred stock | 26(c) | - | - | 1,198 | 1,198 |

| 2020 | Note | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 Restated (Note 16(a)) | Total $'000 |
|---|---|---|---|---|---|
| Assets measured at fair value: | | | | | |
| Investment held at fair value | | - | - | 3,201 | 3,201 |
| Derivative financial instruments | 24 | - | 29 | - | 29 |
| Liabilities measured at fair value: | | | | | |
| Derivative financial instruments | 24 | - | 609 | - | 609 |
| RedBird share purchase option | 24 | - | - | 1,931 | 1,931 |
| Liabilities for which fair values are disclosed: | | | | | |
| Interest bearing liabilities | 26(c) | - | 240,023 | - | 240,023 |
| RedBird preferred shares | 26(c) | - | - | 70,322 | 70,322 |

There has been no transfer between level 1, level 2 and level 3 during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 29 June 2021.

## 26. Fair value measurement (continued)

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

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

Specific valuation techniques used to value financial instruments include:

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

All of the resulting fair value estimates are included in level 2 except for unlisted equity shares, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

#### *(i) Fair value measurements using significant unobservable inputs*

*Redbird share purchase option*

An equity option gives the holder the right to buy or sell the equity at a predefined strike rate at specified date(s) as stipulated in the option agreement. The present value of an option equals the sum of its intrinsic value and time value. The intrinsic value of the option is its current exercise value as determined by its strike price and current spot price. The time value represents the likelihood of the intrinsic value increasing and is sensitive to the volatility of the price of the underlying asset, risk free interest rates, and time to expiry of the option.

Management have applied a stochastic approach using a Monte-Carlo simulation model to value the RedBird share purchase option.

*Redbird preferred shares*

The initial carrying value of the liability component is determined by discounting the contractual stream of future cash flows (coupon of 10% and principal of US$80 million) to the present value, at the rate of interest at inception (18.62%) applicable to instruments of comparable credit status and within similar industries, with similar terms.

The equity component is measured as the residual after taking account of the option and fair value of debt.

*ALUSH Series B preferred stock*

The initial carrying value of the liability component is determined by discounting the contractual stream of future cash flows (coupon of 10% and principal of US$1.1 million) to the present value, at the rate of interest at inception (14.35%) applicable to instruments of comparable credit status and within similar industries, with similar terms.

The equity component is measured as the residual after taking account of the fair value of debt.

*Changes in fair value*

For changes in level 3 items for the periods ended 29 June 2021 and 30 June 2020, refer to Note 30.

# Notes to the Financial Statements
for the year ended 29 June 2021

## 26. Fair value measurement (continued)

### (c) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the Balance Sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to the current market rates or the instruments are short term in nature. Differences were identified for the following instruments at 29 June 2021:

| | Carrying amount 2021 $'000 | Fair value 2021 $'000 | Discount rate 2021 % | Carrying amount 2020 $'000 | Fair value 2020 $'000 | Discount rate 2020 % |
|---|---|---|---|---|---|---|
| US term debt and revolving credit facility | 182,887 | 183,203 | 7.50 | 240,023 | 240,297 | 7.56 |
| Queensland Government loan | 13,753 | 13,753 | 4.96 | - | - | - |
| RedBird preferred shares | 75,692 | 75,638 | 18.62 | 70,322 | 70,302 | 18.62 |
| ALUSH Series B preferred stock | 1,198 | 1,201 | 14.35 | - | - | - |

In determining the fair values above, the principal amounts payable have been discounted at rates which reflect the price that market participants would use when transferring the financial instruments, assuming that market participants act in their economic best interest. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including the Group's own credit risk.

### (d) Accounting policy

***Fair value estimation***

The Group measures financial instruments, such as derivatives and investments held at fair value and non-financial assets such as land, buildings and major rides and attractions investment properties at fair value at each balance date.

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

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

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

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

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

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

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

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

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

## 27. Contingent liabilities

A small number of civil claims relating to the 2016 Dreamworld tragedy made by families and other affected persons have yet to be finalised. They are in the process of being dealt with by the Company's liability insurer. The statutory time period for bringing civil claims has now passed.

On 18 June 2020, the Company was served with a representative shareholder class action arising from the 2016 Dreamworld tragedy. The claim alleges contraventions of the *Corporations Act 2001 (Cth)*. The plaintiff has not provided any expert valuation opinion to quantify its claim, therefore the Company cannot provide any meaningful or indicative estimate of the quantum of any potential liability (if any). The Company has previously indicated (and maintains) that it believes the proceedings to be without merit and it will vigorously defend them.

The Company maintains appropriate insurances to respond to litigation and the majority of associated costs.

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

## 28. Capital commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Property, plant and equipment | | |
| Payable: | | |
| Within one year | 4,046 | 6,335 |
| | **4,046** | **6,335** |

## 29. Events occurring after reporting date

Since the end of the financial year, the Directors of the Company are not aware of any matters or circumstances not otherwise dealt with in the financial report or the Directors' report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 29 June 2021.

## 30. Investment held at fair value

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Investment in Online Media Holdings Limited | 1,358 | 3,201 |
| | **1,358** | **3,201** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Opening balance | 3,201 | 2,811 |
| Valuation loss | (1,843) | - |
| Reversal of impairment | - | 390 |
| **Closing balance** | **1,358** | **3,201** |

### (a) Accounting policy

The investment held at fair value comprises an investment in unlisted equity shares. Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income (OCI) when they meet the definition of equity under AASB 132 *Financial Instruments Presentation* and are not held for trading. The classification is determined on an instrument by instrument basis.

After initial measurement, financial assets at fair value through OCI are subsequently measured at fair value with unrealised gains or losses recognised in OCI.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Income Statement when the right of payment has been established except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

## 31. Provisions

### (a) Distributions to shareholders

No dividend was paid or declared for the half year ended 29 December 2020 (31 December 2019: Nil) or has been paid or declared for the year ended 29 June 2021 (30 June 2020: Nil).

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

# Notes to the Financial Statements
for the year ended 29 June 2021

## 31. Provisions (continued)

### (b) Other provisions

| | Employee benefits $'000 | Property make good $'000 | Sundry[1] $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 July 2020 | 2,437 | 2,347 | 378 | 5,162 |
| Additions | 4,929 | 60 | 103 | 5,092 |
| Provisions utilised in the year | (2,309) | - | (139) | (2,448) |
| Foreign exchange movements | (31) | (218) | - | (249) |
| Unused amounts reversed | (435) | - | - | (435) |
| Unwinding of discount and changes in discount rate | 7 | - | - | 7 |
| **At 29 June 2021** | **4,598** | **2,189** | **342** | **7,129** |
| Current | 3,960 | - | 342 | 4,302 |
| Non-current | 638 | 2,189 | - | 2,827 |
| **Total provisions** | **4,598** | **2,189** | **342** | **7,129** |

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

The current provision for employee benefits includes accrued long service leave which covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. This is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

### (c) Accounting policy

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

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

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

**Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

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

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

**Profit sharing and bonus plans**

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

**Termination benefits**

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

## 32. Net tangible assets

| | Note | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|---|
| Net tangible assets are calculated as follows: | | | |
| Total assets | | 906,605 | 1,057,782 |
| Less: intangible assets | | (74,553) | (80,098) |
| Less: right-of-use assets | | (286,712) | (327,058) |
| Less: total liabilities | | (736,921) | (787,898) |
| Add: lease liabilities | 22, 23(a) | 363,984 | 396,941 |
| **Net tangible assets** | | **172,403** | **259,669** |
| Total number of shares on issue | 18 | 479,706,016 | 479,706,016 |
| Net tangible asset backing per share | | $0.36 | $0.54 |

## 33. Deed of Cross Guarantee

In 2019, Ardent Leisure Group Limited, Ardent Leisure Limited, Ardent Leisure Management Limited, Ardent Leisure Entertainment Pty Ltd and Main Event Entertainment Pty Ltd entered into a Deed of Cross Guarantee under which each company guaranteed the debts of the others.

By entering into the deeds, Ardent Leisure Limited has been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

### (a) Consolidated Income Statement

Ardent Leisure Group Limited, Ardent Leisure Limited, Ardent Leisure Management Limited, Ardent Leisure Entertainment Pty Ltd and Main Event Entertainment Pty Ltd represent a 'Closed Group' for the purposes of the Class Order. Set out below is a consolidated Income Statement for the year ended 29 June 2021 of the Closed Group:

| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|
| Income | | |
| Revenue from operating activities | 36,012 | 59,360 |
| Valuation gain – investment held at fair value | - | 390 |
| Reversal of impairment of investment in subsidiary | 135,158 | - |
| Net gain from derivative financial instruments | 24 | 243 |
| Interest income | 28 | 461 |
| Other income | 19,916 | 7,055 |
| **Total income** | **191,138** | **67,509** |
| Expenses | | |
| Purchases of finished goods | 6,952 | 8,802 |
| Salary and employee benefits | 37,959 | 44,071 |
| Finance costs | 1,711 | 677 |
| Property expenses | 701 | 111 |
| Depreciation and amortisation | 4,528 | 4,841 |
| Loss on disposal of assets | 75 | 3,471 |
| Advertising and promotions | 5,444 | 5,282 |
| Repairs and maintenance | 5,037 | 4,703 |
| Impairment of investment in subsidiary | - | 176,846 |
| Impairment of property, plant and equipment | - | 1,311 |
| Dreamworld incident costs | 5,103 | 2,097 |
| Other expenses | 12,098 | 12,489 |
| **Total expenses** | **79,608** | **264,701** |
| **Profit/(loss) before tax expense** | **111,530** | **(197,192)** |
| Income tax expense/(benefit) | 1,177 | 14,285) |
| **Profit/(loss) for the year** | **110,353** | **(211,477)** |
| Attributable to: | | |
| **Ordinary shareholders** | **110,353** | **(211,477)** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 33. Deed of Cross Guarantee (continued)

### (b) Consolidated Statement of Comprehensive Income

Set out below is a consolidated Statement of Comprehensive Income for the year ended 29 June 2021 of the Closed Group:

| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|
| Profit/(loss) for the year | 110,353 | (211,477) |
| Other comprehensive loss for the year | | |
| *Items that will not be reclassified to profit and loss:* | | |
| Loss on revaluation of investment held at fair value | (1,290) | - |
| **Other comprehensive loss for the year, net of tax** | **(1,290)** | **-** |
| **Total comprehensive income/(loss) for the year, net of tax** | **109,063** | **(211,477)** |
| Attributable to: | | |
| Ordinary shareholders | 109,063 | (211,477) |
| **Total comprehensive income/(loss) for the year, net of tax** | **109,063** | **(211,477)** |

## 33. Deed of Cross Guarantee (continued)

### (c) Consolidated Balance Sheet

Set out below is a consolidated Balance Sheet as at 29 June 2021 of the Closed Group:

| | 2021 $'000 | 2020 $'000 Restated (Note 16(a)) |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | 13,797 | 26,245 |
| Receivables | 691 | 2,083 |
| Inventories | 1,918 | 2,835 |
| Other | 1,536 | 790 |
| **Total current assets** | **17,942** | **31,953** |
| Non-current assets | | |
| Property, plant and equipment | 60,292 | 44,301 |
| Right-of-use assets | 145 | 182 |
| Investment held at fair value | 1,358 | 3,201 |
| Investment in subsidiaries | 405,395 | 270,222 |
| Livestock | 187 | 204 |
| Intangible assets | 3,030 | 2,508 |
| Deferred tax assets | 4,423 | 3,995 |
| **Total non-current assets** | **474,830** | **324,613** |
| **Total assets** | **492,772** | **356,566** |
| Current liabilities | | |
| Payables | 22,834 | 10,882 |
| Derivative financial instruments | - | 24 |
| Interest bearing liabilities | 81 | 233 |
| Current tax liabilities | 2,500 | - |
| Provisions | 1,516 | 1,563 |
| Other | 4 | 4 |
| **Total current liabilities** | **26,935** | **12,706** |
| Non-current liabilities | | |
| Intercompany payables | 154,814 | 152,907 |
| Interest bearing liabilities | 13,169 | - |
| Provisions | 637 | 754 |
| Non-current tax liabilities | 8,902 | 10,629 |
| **Total non-current liabilities** | **177,522** | **164,290** |
| **Total liabilities** | **204,457** | **176,996** |
| **Net assets** | **288,315** | **179,570** |
| Equity | | |
| Contributed equity | 777,124 | 777,124 |
| Reserves | (128,558) | (126,950) |
| Accumulated losses | (360,251) | (470,604) |
| **Total equity** | **288,315** | **179,570** |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 33. Deed of Cross Guarantee (continued)

### (d) Consolidated Statement of Changes in Equity

Set out below is a consolidated statement of Changes in Equity for the year ended 29 June 2021 of the Closed Group:

| | Note | Contributed equity $'000 | Other equity $'000 | Reserves $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Total equity at 25 June 2019, as originally presented | | 777,124 | - | (126,950) | (254.283) | 395.891 |
| Impact of change in accounting standard, AASB 16 | | - | - | - | 35 | 35 |
| Impact of change in accounting policy | 16(a) | - | - | - | (4,879) | (4,879) |
| Total restated equity at 26 June 2019 | | 777,124 | - | (126,950) | (259,127) | 391,047 |
| Loss for the year (restated) | | - | - | - | (211,477) | (211,477) |
| **Total restated comprehensive loss for the year** | | **-** | **-** | **-** | **(211,477)** | **(211,477)** |
| **Total restated equity at 30 June 2020** | | **777,124** | **-** | **(126,950)** | **(470,604)** | **179,570** |
| Profit for the year | | - | - | - | 110,353 | 110,353 |
| Other comprehensive loss for the year | | - | - | (1,290) | - | (1,290) |
| **Total comprehensive (loss)/income for the year** | | **-** | **-** | **(1,290)** | **110,353** | **109,063** |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Equity-based payments | 20 | - | - | (318) | - | (318) |
| **Total equity at 29 June 2021** | | **777,124** | **-** | **(128,558)** | **(360,251)** | **288,315** |

## 34. Remuneration of auditor

The auditor of the Group in the current year, Ernst & Young (EY), earned the following remuneration:

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Fees to EY Australia | | |
| Audit of financial statements of the Group | 381,243 | 435,303 |
| Other services: | | |
| Tax compliance | 7,384 | 57,000 |
| Other | - | 5,000 |
| **Total fees to EY Australia** | **388,627** | **497,303** |
| Fees to other overseas member firms of EY Australia (US) | | |
| Audit of financial statements of the Group and financial statements of Main Event | 582,497 | 495,895 |
| Other services: | | |
| Tax advice | 15,647 | 192,856 |
| US GAAP accounting advice | - | 73,583 |
| **Total fees to overseas member firms of EY Australia (US)** | **598,144** | **762,334** |
| **Total auditors' remuneration** | **986,771** | **1,259,637** |

## 35. Equity-based payments

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

| | DSTI |
|---|---|
| *Who can participate?* | All employees are eligible for participation at the discretion of the Board; however, Non-Executive Directors do not participate in the DSTI. |
| *What types of securities are issued?* | Performance rights that can be converted into fully paid shares once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements. |
| *What restrictions are there on the securities?* | Performance rights are non-transferable. |
| *When can the securities vest?* | The plan contemplates that the performance rights will vest equally one year and two years following the grant date. |
| *What are the vesting conditions?* | Plan performance rights will normally vest only if the participant remains employed by the Group (and is not under notice terminating the contract of employment from either party) as at the relevant vesting date. |

### *(i) Equity settled payments*

Since the DSTI was approved in July 2010, incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI, participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date.

A total of 24,501 performance rights vested during the year and a corresponding number of shares were issued to employees under the terms of the DSTI (2020: 168,995).

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

*Fair value*

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

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

## 35. Equity-based payments (continued)

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

#### *(ii) Valuation inputs*

For the performance rights outstanding at 29 June 2021, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 29 June 2021:

| Grant | 2019 |
|---|---|
| Grant date | 22 August 2019 |
| Vesting date – year 1 | 7 September 2020 |
| Vesting date – year 2 | 31 August 2021 |
| Average risk-free rate | 0.74% per annum |
| Expected price volatility | 33.0% per annum |
| Expected distribution yield | 2.0% per annum |
| Share price at grant date | $1.18 |
| Valuation per performance right on issue | $1.14 |

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

#### *(iii) Tenure hurdle*

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

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

| Grant date | Expiry date | Exercise price | Grant date Valuation per right - ALG | Balance at the beginning of the year | Granted | Exercised | Forfeited | Balance at the end of the year |
|---|---|---|---|---|---|---|---|---|
| 24 Jun 2019 | 7 Sept 2020 | $Nil | 98.3 cents | 21,485 | - | (12,941) | (8,544) | - |
| 22 Aug 2019 | 31 Aug 2021 | $Nil | 114.5 cents | 51,244 | - | (11,560) | (28,125) | 11,559 |
| | | | | **72,729** | **-** | **(24,501)** | **(36,669)** | **11,559** |

The rights have an average maturity of two months.

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

| | |
|---|---|
| *Who can participate?* | All executives are eligible for participation at the discretion of the Board. |
| *What types of securities are issued?* | The LTIP is typically granted in the form of performance rights that can be converted into fully paid shares when and if vested. Performance rights do not carry any voting or distribution entitlements. |
| *What restrictions are there on the securities?* | Performance rights are non-transferable. Executives may not hedge any portion of their unvested awards. |

## 35. Equity-based payments (continued)

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

*Is there a performance gateway?*

For any rights to vest under the LTIP, an initial gateway performance hurdle must be met or exceeded. The gateway hurdle is a minimum return on equity target equal to or greater than 2.5x the 10 year bond yield rate for Australian Government bonds.

*When can the performance rights vest?*

The plan contemplates that the performance rights will vest equally two, three and four years following the grant date, subject to achieving certain conditions.

*What are the vesting conditions for Australian employees?*

Assuming the performance gateway is achieved, whether the performance rights that can vest do in fact vest is determined as follows:

- 50% is subject to a relative total shareholder return (TSR) performance hurdle; and
- 50% is subject to a compound earnings per share (EPS) performance hurdle.

*What are the vesting conditions for US employees?*

Assuming the performance gateway is achieved, whether the performance rights that can vest do in fact vest is determined as follows:

- 1/3rd is subject to a relative TSR performance hurdle;
- 1/3rd is subject to a compound EPS performance hurdle; and
- 1/3rd vests automatically provided the executive has remained in continuous employment since the date of grant.

*What is relative TSR and how is it measured?*

Relative TSR is the total return an investor would receive over a set period of time, assuming that all distributions were reinvested in the Group's shares, measured against the return of an external benchmark. The relative TSR definition takes account of both capital growth and distributions.

Relative TSR is measured against the ASX Small Industrials Index over the performance period. Relative TSR performance is measured by an independent third party. The vesting schedule for the portion of the grant subject to the relative TSR performance condition is as follows:

The vesting scale is as follows:

| Relative TSR performance | Proportion of performance rights vesting |
|---|---|
| Below 50th percentile | 0% |
| 50th percentile | 50% |
| Between 50th percentile and 75th percentile | Straight-line vesting between 50% and 100% |
| 75th percentile or higher | 100% |

*What is EPS and how is it measured?*

The EPS hurdle refers to the compound annual growth (CAGR) of earnings per share over the vesting period.

The vesting schedule for the portion of the grant subject to EPS performance is as follows:

| EPS CAGR performance | |
|---|---|
| Below 8% | 0% |
| 8% | 50% |
| Between 8% and 13% | Straight-line vesting between 50% and 100% |
| 13% or higher | 100% |

# Notes to the Financial Statements
for the year ended 29 June 2021

## 35. Equity-based payments (continued)

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

#### *(i) Equity settled payments*

Since 1 July 2009, long term incentives have been provided to certain executives under the LTIP. Under the terms of the LTIP and the initial grant, employees may be granted performance rights which vest in accordance with the terms set out in the table above. The percentage of performance rights which may vest is subject to the TSR performance of the Group relative to its peer group, which is the ASX Small Industrials Index.

During the year, the relative TSR and EPS performance of the Group was tested in accordance with the LTIP for tranches issued in 2013, 2014 and 2015 with the following results:

| Tranche | ROE | Vesting percentage | TSR | Percentile | Vesting percentage | Group CAGR EPS | Vesting percentage |
|---|---|---|---|---|---|---|---|
| T3-2017 | (10.57%) | - | (50.67%) | 14.84 | - | n/a[(1)] | - |
| T2-018 | (16.73%) | - | (50.71%) | 13.53 | - | 179.98%[(2)] | - |

(1) Mathematically, CAGR cannot be computed when there is a positive EPS in the first year, a negative EPS in the last year and an even number of years over which it is being measured. However, as EPS has declined over the measurement period, it has by definition failed to meet the minimum vesting hurdle of 8% CAGR EPS growth.

(2) Mathematically, CAGR is positive due to increase in losses over the test period. However, as EPS has declined over the measurement period, it is deemed to have failed to meet the minimum vesting hurdle.

No LTIP performance rights vested on 7 September 2020 (2020: Nil).

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

*Fair value*

The fair value of the equity settled performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights is determined at grant date using a combination of the Monte Carlo and the Cox-Ross Rubenstein Binomial valuation models. This is recognised over the vesting period during which employees become unconditionally entitled to the underlying shares.

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

#### *(ii) Valuation inputs*

For performance rights outstanding at 29 June 2021, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 29 June 2021:

| Grant | 2017 | 2018 |
|---|---|---|
| Grant date | 29 September 2017 | 27 June 2019 |
| Vesting date – year 2 | 29 August 2019 | 7 September 2020 |
| Vesting date – year 3 | 7 September 2020 | 31 August 2021 |
| Vesting date – year 4 | 31 August 2021 | 31 August 2022 |
| Average risk-free rate | 2.00% per annum | 1.00% per annum |
| Expected price volatility | 42.0% per annum | 32.0% per annum |
| Expected distribution yield | 1.6% per annum | 2.0% per annum |
| Share price at grant date | $1.82 | $1.08 |
| Valuation per performance right on issue | | |
| US employees | $0.65 | $Nil |
| Australian employees | $0.19 | $Nil |

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

## 35. Equity-based payments (continued)

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

#### *(iii) Performance hurdles*

In order for any or all of the performance rights to vest under the LTIP, the Group's Gateway, TSR and/or the EPS performance hurdles as set out above must be met. The number of rights outstanding and the grant dates of the rights are shown in the table below:

| Grant date | Expiry date | Exercise price | Grant date valuation per right | Balance at the beginning of the year | Granted | Exercised | Failed to vest | Balance at the end of the year |
|---|---|---|---|---|---|---|---|---|
| 23 Aug 2016 | 31 Aug 2020 | $Nil | 120.7 cents | 86,765 | - | - | (86,765) | - |
| 29 Sep 2017 | 31 Aug 2021 | $Nil | 47.5 cents | 633,299 | - | - | (316,647) | 316,652 |
| 27 Jun 2019 | 31 Aug 2022 | $Nil | 0.0 cents | 191,394 | - | - | (63,798) | 127,596 |
| | | | | **911,458** | **-** | **-** | **(467,210)** | **444,248** |

The rights have an average maturity of six months.

The benefit recorded in the Group financial statements in the year in relation to the DSTI and LTIP performance rights was $307,465 (2020: expense of $136,771).

# Notes to the Financial Statements
for the year ended 29 June 2021

## 36. Related party disclosures

### (a) Directors

The following persons have held office as Directors of the Company during the period and up to the date of this report unless otherwise stated:

Gary Weiss AM;
David Haslingden;
Randy Garfield; and
Brad Richmond.

### (b) Parent entity

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

### (c) Key controlled entities

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

| Entity | Activity | Country of establishment | Class of equity securities |
|---|---|---|---|
| Controlled entities of Ardent Leisure Group Limited: | | | |
| Ardent Leisure Trust | Theme parks | Australia | Ordinary |
| Ardent Leisure Limited | Theme parks, Corporate | Australia | Ordinary |
| Ardent Leisure US Holding, Inc | Family entertainment centres | USA | Ordinary |

### (d) Transactions with related parties

#### *(i) Key management personnel*

| | 2021 $ | 2020 $ |
|---|---|---|
| Short term employee benefits | 4,647,725 | 3,201,222 |
| Post-employment benefits | 58,256 | 59,805 |
| Termination benefits | - | - |
| Share-based payments | 1,078,609 | 126,033 |
| | **6,167,301** | **3,387,060** |

Remuneration of key management personnel (KMP) is shown in the Directors' report from pages 12 to 23.

### (e) Loans to KMP

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

### (f) Other transactions with KMP

On 16 March 2021, key executives of Main Event Entertainment, Inc (Main Event) purchased 1,100 shares of newly issued Series B Preferred Stock in Ardent Leisure US Holding Inc for US$1.1 million. The stock entitles each investor a preferential dividend of 10% per annum, which is not paid in cash but accumulates and compounds semi-annually. Investors are also entitled to participate in common stock dividends of ALUSH and residual net assets in the event of its liquidation. Series B Preferred Stock will convert into common stock when RedBird's Series A Preferred Stock converts to common stock.

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

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

### 36. Related party disclosures (continued)

#### (g) Transactions with related parties

All transactions with related parties were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured and are repayable in cash. The terms and conditions of the tax funding agreement are set out in Note 6(f). The transactions incurred in the year with controlled entities were as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Income from sale of services to related parties | - | 36,570 |
| Reimbursable expenses paid to related parties | (7,090) | (126,104) |

### 37. Parent entity financial information

Subsequent to the destapling and corporatisation of the Group, effective 24 December 2018, the parent entity of the Group is Ardent Leisure Group Limited.

#### (a) Summary financial information

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 1 | 2,412 |
| Total assets | 465,424 | 249,000 |
| Current liabilities | 5,197 | - |
| Total liabilities | 5,197 | - |
| **Equity** | | |
| Contributed equity | 777,124 | 777,124 |
| Retained earnings | (316,897) | (528,124) |
| **Total equity** | **460,227** | **249,000** |
| **Gain/(loss) for the period** | **211,227** | **(285,617)** |
| **Total comprehensive gain/(loss) for the period** | **221,227** | **(285,617)** |

#### (b) Guarantees

There are no material guarantees entered into by Ardent Leisure Group Limited in relation to the debts of its subsidiaries.

#### (c) Contingent liabilities

A small number of civil claims relating to the 2016 Dreamworld tragedy made by families and other affected persons have yet to be finalised. They are in the process of being dealt with by the Company's liability insurer. The statutory time period for bringing civil claims has now passed.

On 18 June 2020, the Company was served with a representative shareholder class action arising from the 2016 Dreamworld tragedy. The claim alleges contraventions of the *Corporations Act 2001 (Cth)*. The plaintiff has not provided any expert valuation opinion to quantify its claim, therefore the Company cannot provide any meaningful or indicative estimate of the quantum of any potential liability (if any). The Company has previously indicated (and maintains) that it believes the proceedings to be without merit and it will vigorously defend them.

The Company maintains appropriate insurances to respond to litigation and the majority of associated costs.

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

#### (d) Contractual commitments for the acquisition of property, plant and equipment

There was no capital expenditure contracted for at the reporting date but not recognised as liabilities (2020: $nil).

# Notes to the Financial Statements
for the year ended 29 June 2021

## 37. Parent entity financial information (continued)

### (e) Accounting policy

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

***Investments in subsidiaries***

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity. Dividends received from subsidiaries are recognised as income in the parent entity's income statement.

***Tax consolidation legislation***

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

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

The entities also entered into a tax funding agreement, effective for the year ended 31 March 2020, under which the wholly-owned entities fully compensate Ardent Leisure Group Limited for any current tax payable assumed and are compensated by Ardent Leisure Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ardent Leisure Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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

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

# Directors' declaration to shareholders

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

(a) The financial statements and notes of Ardent Leisure Group Limited set out on pages 27 to 82 are in accordance with the *Corporations Act 2001*, including:

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

 (ii) giving a true and fair view of Ardent Leisure Group Limited's financial position as at 29 June 2021 and of its performance, as represented by the results of its operations, its changes in equity and its cash flows, for the financial year ended on that date;

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

(c) Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board; and

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee as described in Note 33.

The Directors have been given the certifications required by Section 295A of the *Corporations Act 2001*.

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

**Gary Weiss AM**
*Chairman*

**Brad Richmond**
*Director*

Sydney
25 August 2021

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# Independent Auditor's Report to the members of Ardent Leisure Group Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Ardent Leisure Group Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated balance sheet as at 29 June 2021, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 29 June 2021 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Change in Accounting Policy from Revaluation to the Cost Model for Theme Park Assets

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The Group has historically measured land, buildings and major rides within the Theme Parks business at fair value. All other components of property plant & equipment (PP&E) across the Group have been measured on a cost basis. Both bases are permitted under AASB 116 *Property, Plant and Equipment*.<br><br>The Group changed its accounting policy in the current year to measure all PP&E on a cost basis. The change was accounted for retrospectively. The impact of the change is disclosed in detail in Note 16(a).<br><br>A change in accounting policy is permitted where the new policy provides reliable and more relevant information to the users of the financial statements. Due to the nature of this change and the impact of the change on the financial statements, we consider this a Key Audit Matter. | Our audit procedures included the following:<br><br>- We reviewed the assessment prepared by management on why this change in accounting policy is reliable and more relevant for users of the financial statements.<br><br>- We reviewed the balances contained in the Asset Revaluation Reserve as at 25 June 2019 and tested the appropriateness of these amounts being written back against land, buildings and major rides.<br><br>- We agreed the restated opening balance sheet of comparatives as at 26 June 2019 to underlying financial records including fixed asset registers. We tested the mathematical accuracy of the underlying financial records including fixed asset registers.<br><br>- We assessed the adequacy of the change in accounting policy disclosures in the financial report outlined in Note 16(a). |

## 2. Recoverability of Theme Park Property, Plant and Equipment

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The Group has $112 million of property, plant and equipment held at cost as at 29 June 2021 related to Theme Parks as disclosed in Note 16.<br><br>Management prepared an impairment assessment to test the recoverability of the Theme Park assets in accordance with AASB 136 *Impairment of Assets*.<br><br>The value in use is based upon a number of assumptions which are judgmental in nature, including attendance, cash flow forecasts, discount rates and growth rates.<br><br>This was considered a Key Audit Matter due to the significance of the carrying value of property, plant and equipment and the judgmental nature of the assumptions underlying the discounted cash flows used in determining the recoverable amount.<br><br>Note 16 of the financial report outlines the accounting policy and management's assumptions applied in the impairment assessment. | Our audit procedures included the following:<br><br>- We considered management's analysis and the reasonableness of the cash flows used in the discounted cash flow model as follows:<br>    - We assessed the historical accuracy of management's cash flow forecasting.<br>    - We compared the cash flows used in the model to management's forecasts, projections of future growth and capital expenditure including the impact of COVID-19 on attendance.<br>    - We tested the mathematical accuracy of the model.<br>    - We reviewed management's determination of the discount rate and agreed key inputs to supporting evidence.<br>    - We considered the appropriateness of the discount rate by comparing it to historical discount rates and considering any recent market transactions, and benchmarking key inputs into the determination of the discount rate.<br><br>- We assessed the adequacy of the Group's disclosures in Note 16 in respect of asset carrying values and key assumptions. |

## 3. Recoverability of Main Event Property, Plant and Equipment

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group has $297 million of property, plant and equipment held at cost as at 29 July 2021 related to Main Event as disclosed in Note 16.<br><br>The Group assessed each Main Event centre for impairment indicators as at 29 June 2021 in accordance with AASB 136 *Impairment of Assets*.<br><br>This was considered a Key Audit Matter due to the significance of the carrying value of the property, plant and equipment and the judgmental nature of the assumptions underlying the cash flows used in determining the recoverable amount.<br><br>Note 16 of the financial report outlines the accounting policy and management's assumptions related to these assets. | Our audit procedures included the following:<br><br>- We reviewed management's identification of impairment indicators.<br><br>- Where indicators existed, we reviewed the reasonableness of the inputs into the cash flow model used to determine the recoverable amounts as follows:<br>  - We assessed the historical accuracy of management's cash flow forecasting.<br>  - We compared the cash flows used in the model to management's forecasts, projections of future growth and capital expenditure including the impact of COVID-19 on attendance.<br>  - We tested the mathematical accuracy of the model.<br>  - We engaged our Real Estate valuation specialists to review the sub-lease income assumptions used in determining the impairment recognised in the year.<br><br>- We assessed the adequacy of the Group's disclosures in Note 16 in respect of asset carrying values and key assumptions. |

## 4. Main Event Goodwill Impairment Assessment

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group has $55 million of goodwill related to the Main Event cash generating unit (CGU) as disclosed in Note 17.<br><br>The Group performed a value in use calculation to test the Main Event Goodwill for impairment as at 29 June 2021 in accordance with AASB 136 *Impairment of Assets* which concluded that no impairment was required.<br><br>This was considered a Key Audit Matter due to the relative size of the goodwill balance and the judgmental nature of the assumptions underpinning the discounted cash flows used in determining the recoverable amount.<br><br>Note 17 of the financial report discusses the accounting policy related to the goodwill and discloses the sensitivity of the valuation to changes in key assumptions. | Our audit procedures included the following:<br><br>- We assessed the identification of CGUs with reference to the requirements of AASB 136 *Impairment of Assets*.<br><br>- We considered the reasonableness of the cash flows used in the discounted cash flow model as follows:<br>  - We assessed the historical accuracy of management's cash flow forecasting.<br>  - We compared the cash flows used in the model to management's forecasts, projections of future growth and capital expenditure including the impact of COVID-19 on attendance.<br>  - We tested the mathematical accuracy of the model.<br><br>- Our valuation specialists assisted in assessing the overall discount rate used in the model with reference to internally developed benchmarks which are based on market data and industry research.<br>- We performed scenario-specific sensitivity tests including changes to the discount rate, forecast cash flows and projected capital expenditure.<br>- We assessed the adequacy of the Group's disclosures in Note 17. |

## Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2020 Annual Report but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company’s and Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s or the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s or Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Report on the Audit of the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 23 of the directors' report for the year ended 29 June 2021.

In our opinion, the Remuneration Report of Ardent Leisure Group Limited for the year ended 29 June 2021, complies with section 300A of the *Corporations Act 2001*.

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

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
25 August 2021

# Investor Analysis

| Top investors as at 24 August 2021 | | No. of shares | % |
|---|---|---|---|
| 1 | CITICORP NOMINEES PTY LIMITED | 78,405,872 | 16.34 |
| 2 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 59,144,590 | 12.33 |
| 3 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 54,148,168 | 11.29 |
| 4 | KAYAAL PTY LTD | 22,672,159 | 4.73 |
| 5 | PORTFOLIO SERVICES PTY LTD | 21,277,233 | 4.44 |
| 6 | UBS NOMINEES PTY LTD | 19,387,452 | 4.04 |
| 7 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 12,527,165 | 2.61 |
| 8 | NATIONAL NOMINEES LIMITED | 12,174,454 | 2.54 |
| 9 | BNP PARIBAS NOMS PTY LTD | 10,853,251 | 2.26 |
| 10 | NETWEALTH INVESTMENTS LIMITED | 10,694,330 | 2.23 |
| 11 | BNP PARIBAS NOMINEES PTY LTD | 6,497,886 | 1.35 |
| 12 | RAGUSA PTY LTD | 4,139,794 | 0.86 |
| 13 | RAGUSA PTY LTD | 2,910,409 | 0.61 |
| 14 | BOND STREET CUSTODIANS LIMITED | 2,100,000 | 0.44 |
| 15 | ONE MANAGED INVT FUNDS LTD | 2,045,167 | 0.43 |
| 16 | BNP PARIBAS NOMINEES PTY LTD | 2,037,458 | 0.42 |
| 17 | PALM VILLA PTY LTD | 2,000,000 | 0.42 |
| 18 | DEEMCO PTY LIMITED | 1,780,000 | 0.37 |
| 19 | CS FOURTH NOMINEES PTY LIMITED | 1,438,509 | 0.30 |
| 20 | MR SHANE NEWMAN ABEL | 1,320,000 | 0.28 |
| **Total** | | 327,553,897 | 68.28 |
| Balance of register | | 152,152,119 | 31.72 |
| **Grand total** | | 479,706,016 | 100.00 |

| Range report as at 24 August 2021 | No. of shares | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 383,315,247 | 79.91 | 224 | 2.18 |
| 10,001 to 100,000 | 72,978,532 | 15.21 | 2,550 | 24.77 |
| 5,001 to 10,000 | 12,719,698 | 2.65 | 1,663 | 16.15 |
| 1,001 to 5,000 | 9,752,841 | 2.03 | 3,577 | 34.75 |
| 1 to 1,000 | 939,698 | 0.20 | 2,281 | 22.16 |
| **Total** | 479,706,016 | 100.00 | 10,295 | 100.00 |

The total number of investors with an unmarketable parcel of 229,849 shares as at 24 August 2021 was 1,417.

## Voting rights

In accordance with the Company's Constitution, each member present at a meeting, whether in person, by proxy, by power of attorney or by a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands and one vote for each fully paid ordinary share on a poll.

## On-market buy-back

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

| Substantial shareholder notices received as at 24 August 2021 | No. of shares | % |
|---|---|---|
| The Ariadne Substantial Holder Group[(1)] | 45,344,317 | 9.45% |
| FIL Ltd | 47,970,601 | 10.00% |
| Yarra Management Nominees Pty Ltd and TA Universal Investment Holdings Ltd | 61,085,831 | 12.73% |
| Wilson Asset Management Group | 38,165,794 | 7.96% |

(1) The Ariadne Substantial Holder Group includes the following companies and partnerships – Portfolio Services Pty Limited, Ariadne Holdings Pty Limited, Ariadne Australia Limited, Bivaru Pty Limited and Kayaal Pty Ltd.

# Investor Relations and Corporate Directory

## Corporate Governance Statement

In accordance with the ASX Listing Rules, the Group's Corporate Governance Statement is published and located in the Corporate Governance page of the Group's website (http://www.ardentleisure.com.au/Company/Corporate-Governance.aspx). A copy has also been provided to the ASX.

## Contact details

**Share registry**
To access information on your holding or to update/change your details, contact:

**Link Market Services Limited**
Locked Bag A14
Sydney South NSW 1235

**Telephone**
1300 720 560 (within Australia)
+61 1300 720 560 (outside Australia)

**Facsimile**
+61 2 9287 0303

**Website**
www.linkmarketservices.com.au

**Email**
registrars@linkmarketservices.com.au

All other enquiries relating to your Ardent Leisure Group Limited investment can be directed to:

**Ardent Leisure Group Limited**
PO Box 1927
North Sydney NSW 2059

**Telephone**
+61 2 9168 4600

**Facsimile**
+61 2 9168 4601

**Email**
investor.relations@ardentleisure.com

**Website**
www.ardentleisure.com

# Investor Relations and Corporate Directory

## Company

Ardent Leisure Group Limited
ABN 51 628 881 603

Registered office
Suite 601, Level 6, 83 Mount Street
North Sydney NSW 2060

**Directors**

Gary Weiss AM
David Haslingden
Randy Garfield
Brad Richmond

**Group Chief Financial Officer**
Darin Harper

**Company Secretary**
Chris Todd

## ASX code

ALG

## Auditor of the Group

**Ernst & Young**
200 George Street
Sydney NSW 2000