# APPENDIX 4D

## Half Year Report
## for the period ended 31 December 2016

**Name of Entity:** Ardent Leisure Group (ASX: AAD)
Comprising:
Ardent Leisure Trust (ARSN 093 193 438)
Ardent Leisure Limited (ABN 22 104 529 106)

### Results for announcement to the market

| | **6 months to 31 December 2016** | **6 months to 31 December 2015** | **Variance** |
|---|---|---|---|
| | $'000 | $'000 | % |
| Revenue from ordinary activities | 317,172 | 333,836 | (5.0%) |
| (Loss)/profit from ordinary activities after tax attributable to members | (49,350) | 22,666 | (317.7%) |
| Net (Loss)/profit for the period attributable to members | (49,350) | 22,666 | (317.7%) |
| Core Earnings | 12,815 | 30,539 | (58.0%) |

| **Distributions** | **Amount per stapled security** |
|---|---|
| *Current Period:*<br>Interim distribution | 2.0¢ |
| *Previous Corresponding Period:*<br>Interim distribution | 7.0¢ |
| Record date for determining entitlements to the distribution | 31 December 2016 |

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

The Group's strategy is to focus primarily on leisure and entertainment segments within its geographical areas of operation with mass market appeal. During the period, the Group's operations comprised its five operating divisions, being family entertainment centres in the US, bowling centres, marinas, theme parks and, until 25 October 2016, health clubs.

On 19 August 2016, the Group announced its decision to sell the health clubs business, with completion occurring on 25 October 2016. The gross consideration of $260.0 million comprised a cash component of $230.0 million and deferred consideration of $30.0 million in the form of vendor loan notes for which payment was received on 13 December 2016. A gain of $45.0 million before tax was recognised on disposal.

On 12 December 2016, the Group announced that it had entered into a put and call option agreement to dispose of its entire interest in the Marinas division for a gross sale price of $126.0 million. Completion is subject to landlord consents for the transfer of the head leases and is expected to occur prior to 30 June 2017. The associated assets and liabilities have been presented as held for sale and the results included as a discontinued operation at 31 December 2016.

On 20 December 2016, the Group acquired a non-controlling equity interest of $3.2 million in Online Media Holdings Limited, an unlisted entity which develops and markets online location-based social media and customer data collection services.

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

The impact of the incident, subsequent closure of the parks and progressive re-opening of rides, negatively impacted attendance and revenues. As a result, at 31 December 2016, the Group has recognised an impairment write off to goodwill of $0.8 million and a revaluation decrement to associated property, plant and equipment of $93.6 million of which $90.6 million has been recognised in the Income Statement and $3.0 million has been recognised in reserves. Refer to Notes 9 and 10 of the financial statements.

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

| | Segment revenues December 2016 $'000 | Segment revenues December 2015 $'000 | Segment EBITDA* December 2016 $'000 | Segment EBITDA* December 2015 $'000 |
|---|---|---|---|---|
| Family entertainment centres | 136,765 | 105,058 | 24,546 | 20,874 |
| Bowling centres | 64,341 | 67,433 | 8,401 | 11,019 |
| Marinas | 11,608 | 10,959 | 5,101 | 4,630 |
| Theme parks | 41,775 | 58,388 | 5,874 | 21,206 |
| Health clubs | 62,677 | 91,993 | 9,772 | 13,295 |
| Other | 6 | 5 | - | - |
| **Total** | **317,172** | **333,836** | **53,694** | **71,024** |
| Depreciation and amortisation | | | (22,906) | (22,332) |
| **Divisional EBIT** | | | **30,788** | **48,692** |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, intangible asset amortisation, impairment of goodwill and property, plant and equipment and selling costs associated with the sale of Marinas not included in divisional EBIT | | | (16,110) | (10,343) |
| Valuation gain - investment properties | | | - | 8 |
| Valuation loss - property, plant equipment | | | (90,620) | - |
| Loss on closure of bowling centre | | | (92) | - |
| Loss on disposal of assets | | | (1,254) | (237) |
| Gain on sale and leaseback of family entertainment centres | | | - | 1,211 |
| Gain on disposal of health clubs | | | 44,977 | - |
| Dreamworld incident costs | | | (3,800) | - |
| Net (loss)/gain from derivative financial instruments | | | (54) | 17 |
| Interest income | | | 58 | 43 |
| Corporate costs | | | (7,188) | (6,901) |
| Foreign exchange gains/(losses) | | | 16 | (2) |
| Business acquisition income | | | - | 132 |
| Borrowing costs | | | (6,232) | (7,549) |
| Net tax benefit/(expense) | | | 161 | (2,405) |
| **(Loss)/profit for the half year** | | | **(49,350)** | **22,666** |
| **Core earnings (Note 4 to the financial statements)** | | | **12,815** | **30,539** |

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

Revenue from operating activities for the half year decreased by $16.7 million, or 5.0%, to $317.2 million, due to the following factors:

- Revenue from the Theme parks division decreased by $16.6 million, or 28.5%, to $41.8 million due to the impact of the Thunder River Rapids ride incident, subsequent closure of Dreamworld and WhiteWater World for approximately six weeks and progressive reopening of Dreamworld rides from 10 December 2016;
- Revenue from the Health clubs division decreased by $29.3 million, or 31.9%, to $62.7 million due to the disposal of the division on 25 October 2016; and
- Revenue from the Bowling centres division decreased by $3.1 million, or 4.6%, to $64.3 million largely due to the Kingpin Crown centre being closed for five months for a full refurbishment; however, this was partially offset by:
- Revenue from the Main Event family entertainment centres division increased by $31.7 million, or 30.2%, to $136.8 million due to new centres opened in the last 12 months; and
- Revenue from the Marinas division increased marginally by $0.6 million, or 5.9%, to $11.6 million.

The loss attributable to stapled security holders for the half year was a decrease in profitability of $73.8 million, mainly due to the following factors:

- A decrease in divisional EBITDA of $17.3 million to $53.7 million due to the flow-through effect of the above net decrease in divisional revenues;
- Valuation losses of $90.6 million on property, plant and equipment in the current period;
- A $4.5 million increase in pre-opening expenses, $0.9 million impairment in property, plant and equipment and intangibles and $1.4 million increase in onerous lease provisions, offset by a $1.5 million decrease in amortisation of health club brands and customer relationship intangible assets;
- A $1.0 million increase in loss on disposal of property, plant and equipment;
- Dreamworld incident costs of $3.8 million, incurred during the current period;
- No gain on sale and leaseback of Main Event family entertainment centres (31 December 2015: $1.2 million gain); however, this was partially offset by:
- A gain on sale before tax of $45.0 million relating to the Health clubs division;
- A $1.3 million decrease in borrowing costs due to reduction in debt balances following the Health clubs disposal; and
- A $2.6 million decrease in the Group's tax expense.

Core earnings (as defined in Note 4 to the financial statements) represents the earnings of the Group after adding back unrealised items such as unrealised gains or losses on derivative financial instruments, unrealised valuation gains and losses on investment properties and property, plant and equipment, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, impairment of property, plant and equipment and intangible assets, amortisation of health club brands and customer relationship intangible assets and one off realised items such as the gain on sale of discontinued operation and associated selling costs, loss on closure of bowling centre and Dreamworld incident costs. Core earnings decreased by $17.7 million, or 58.0%, to $12.8 million.

Overall, the Group benefits from the diversity of its operating divisions. Each of the divisions has a senior executive team and a growth strategy with a common theme that offers customers quality affordable leisure experiences, innovative products and a consistently high level of customer service, customer engagement and, importantly, value for money.

Refer to the attached Income Statements, Balance Sheets and Statements of Cash Flows for further information.

## Details of Distribution

Refer attached financial statements (Directors Report and Note 5: Distributions and dividends paid and payable).

## Details of Distribution Reinvestment Plan

The distribution reinvestment plan (DRP) was in operation for the final distribution relating to 30 June 2016 which was paid during the half year ended 31 December 2016. $9.3 million of this distribution was reinvested in the Group.

The DRP price per unit included a discount of 2.0% to the volume weighted average market price of units traded on the ASX during the 10 business days from and including the ex-distribution date.

The DRP will not be in operation for the interim distribution for the half year ended 31 December 2016.

## Net Tangible Assets

| | **Current period**<br><br>**31 December 2016** | **Previous corresponding Period**<br>**31 December 2015** |
|---|---|---|
| Net tangible asset backing per stapled security* | $0.99 | $0.77 |
| Net tangible asset backing per stapled security after distribution | $0.97 | $0.70 |

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

## Control Gained or Lost over Entities during the Period

| | |
|---|---|
| Name of entity (or group of entities) over which control was gained: | None |
| Date control was gained | N/A |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired | N/A |
| Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | N/A |

| | |
|---|---|
| Name of entity (or group of entities) over which control was lost | - Hypoxi North America Pty Ltd<br>- Ardent Leisure Health Clubs 1 Pty Limited<br>- Ardent Leisure Management Health Clubs Pty Ltd<br>- Goodlife Subtrust<br>- Goodlife Management Pty Limited<br>- Hypoxi (US) LLC<br>- Hypoxi (F&D) LLC<br>- Hypoxi (US) Franchise LLC<br>- Ardent Leisure Health Clubs 2 Pty Ltd<br>- Goodlife Health Clubs Holdings Pty Ltd<br>- Goodlife Operations Pty Ltd<br>- Hypoxi Australia Pty Ltd<br>- Evolution Fitness Systems Pty Ltd<br>- Fenix Holdings Pty Ltd<br>- GFC Karingal Pty Ltd<br>- FFC Mooroolbark Pty Ltd<br>- GFC Hoppers Pty Ltd<br>- GFC Chelsea Heights Pty Ltd<br>- GFC Geelong Pty Ltd<br>- Fenix Fitness Clubs Pty Ltd<br>- FFC Robina Pty Ltd<br>- FFC Point Cook Pty Ltd<br>- FFC Nerang Pty Ltd<br>- FFC Coburg Pty Ltd<br>- FFC Watergardens Pty Ltd<br>- FFC Northland Pty Ltd<br>- FFC Narre Warren Pty Ltd<br>- Hypoxi New Zealand Limited<br>- Goodlife Management Trust<br>- Ardent Goodlife Unincorporated Joint Venture |
| Date control was lost | 25 October 2016 |
| Consolidated profit from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control | $0.4 million |

| | |
|---|---|
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period | $2.3 million |

## Details of Associates and Joint Venture entities

N/A

## Accounting standards used by foreign entities

N/A

## Qualification of audit/review

Not applicable as there is no review dispute or qualification.  Refer attached half year financial report for independent auditor's review report.

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# Interim Financial Report

## for the half year ended 31 December 2016

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

# Interim Financial Report

# Directors' report to stapled security holders

The Directors of Ardent Leisure Management Limited (Manager), (as responsible entity of Ardent Leisure Trust), and the Directors of Ardent Leisure Limited present their report together with the consolidated interim financial report of Ardent Leisure Group (Group or Consolidated Group) and the consolidated interim financial report of Ardent Leisure Limited (ALL Group) for the half year ended 31 December 2016 (period).

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

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

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

## 1. Directors

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

Neil Balnaves AO (retired as Chair and Director 6 November 2016);
Roger Davis;
David Haslingden;
Don Morris AO;
Deborah Thomas;
George Venardos (appointed as Chair 6 November 2016); and
Melanie Willis.

## 2. Principal activities

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

## 3. Distributions and dividends

The total distribution of income for the half year ended 31 December 2016 will be 2.00 cents (31 December 2015: 7.00 cents) per stapled security which will be paid by the Group on or before 28 February 2017. This comprises a distribution to be paid by the Trust of 2.00 cents (31 December 2015: 7.00 cents) per stapled security and no dividend to be paid by the Company (31 December 2015: nil) per stapled security. Provisions have not been recognised in the interim financial statements at 31 December 2016 as these payments had not been declared at the reporting date.

## 4. Review and results of operations

### Overview

The Group's strategy is to focus primarily on leisure and entertainment segments within its geographical areas of operation with mass market appeal. During the period, the Group's operations comprised its five operating divisions, being family entertainment centres in the US, bowling centres, marinas, theme parks and, until 25 October 2016, health clubs.

On 19 August 2016, the Group announced its decision to sell the health clubs business, with completion occurring on 25 October 2016. The gross consideration of $260.0 million comprised a cash component of $230.0 million and deferred consideration of $30.0 million in the form of vendor loan notes for which payment was received on 13 December 2016. A gain of $45.0 million before tax was recognised on disposal.

On 12 December 2016, the Group announced that it had entered into a put and call option agreement to dispose of its entire interest in the Marinas division for a gross sale price of $126.0 million. Completion is subject to landlord consents for the transfer of the head leases and is expected to occur prior to 30 June 2017. The associated assets and liabilities have been presented as held for sale and the results included as a discontinued operation at 31 December 2016.

On 20 December 2016, the Group acquired a non-controlling equity interest of $3.2 million in Online Media Holdings Limited, an unlisted entity which develops and markets online location-based social media and customer data collection services.

## 4. Review and results of operations (continued)

### Group results

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

The impact of the incident, subsequent closure of the parks and progressive re-opening of rides, negatively impacted attendance and revenues. As a result, at 31 December 2016, the Group has recognised an impairment write off to goodwill of $0.8 million and a revaluation decrement to associated property, plant and equipment of $93.6 million of which $90.6 million has been recognised in the Income Statement and $3.0 million has been recognised in reserves. Refer to Notes 9 and 10 of the financial statements.

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

| | Segment revenues December 2016 $'000 | Segment revenues December 2015 $'000 | Segment EBITDA* December 2016 $'000 | Segment EBITDA* December 2015 $'000 |
|---|---|---|---|---|
| Family entertainment centres | 136,765 | 105,058 | 24,546 | 20,874 |
| Bowling centres | 64,341 | 67,433 | 8,401 | 11,019 |
| Marinas | 11,608 | 10,959 | 5,101 | 4,630 |
| Theme parks | 41,775 | 58,388 | 5,874 | 21,206 |
| Health clubs | 62,677 | 91,993 | 9,772 | 13,295 |
| Other | 6 | 5 | - | - |
| **Total** | **317,172** | **333,836** | **53,694** | **71,024** |
| Depreciation and amortisation | | | (22,906) | (22,332) |
| **Divisional EBIT** | | | **30,788** | **48,692** |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, intangible asset amortisation, impairment of goodwill and property, plant and equipment and selling costs associated with the sale of Marinas not included in divisional EBIT | | | (16,110) | (10,343) |
| Valuation gain - investment properties | | | - | 8 |
| Valuation loss - property, plant equipment | | | (90,620) | - |
| Loss on closure of bowling centre | | | (92) | - |
| Loss on disposal of assets | | | (1,254) | (237) |
| Gain on sale and leaseback of family entertainment centres | | | - | 1,211 |
| Gain on disposal of health clubs | | | 44,977 | - |
| Dreamworld incident costs | | | (3,800) | - |
| Net (loss)/gain from derivative financial instruments | | | (54) | 17 |
| Interest income | | | 58 | 43 |
| Corporate costs | | | (7,188) | (6,901) |
| Foreign exchange gains/(losses) | | | 16 | (2) |
| Business acquisition income | | | - | 132 |
| Borrowing costs | | | (6,232) | (7,549) |
| Net tax benefit/(expense) | | | 161 | (2,405) |
| **(Loss)/profit for the half year** | | | **(49,350)** | **22,666** |
| **Core earnings (Note 4 to the financial statements)** | | | **12,815** | **30,539** |

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

## 4. Review and results of operations (continued)

### Group results (continued)

Revenue from operating activities for the half year decreased by $16.7 million, or 5.0%, to $317.2 million, due to the following factors:

- Revenue from the Theme parks division decreased by $16.6 million, or 28.5%, to $41.8 million due to the impact of the Thunder River Rapids ride incident, subsequent closure of Dreamworld and WhiteWater World for approximately six weeks and progressive reopening of Dreamworld rides from 10 December 2016;
- Revenue from the Health clubs division decreased by $29.3 million, or 31.9%, to $62.7 million due to the disposal of the division on 25 October 2016; and
- Revenue from the Bowling centres division decreased by $3.1 million, or 4.6%, to $64.3 million largely due to the Kingpin Crown centre being closed for five months for a full refurbishment; however, this was partially offset by:
- Revenue from the Main Event family entertainment centres division increased by $31.7 million, or 30.2%, to $136.8 million due to new centres opened in the last 12 months; and
- Revenue from the Marinas division increased marginally by $0.6 million, or 5.9%, to $11.6 million.

The loss attributable to stapled security holders for the half year was a decrease in profitability of $72.0 million, mainly due to the following factors:

- A decrease in divisional EBITDA of $17.3 million to $53.7 million due to the flow-through effect of the above net decrease in divisional revenues;
- Valuation losses of $90.6 million on property, plant and equipment in the current period;
- A $4.5 million increase in pre-opening expenses, $0.9 million impairment in property, plant and equipment and intangibles and $1.4 million increase in onerous lease provisions, offset by a $1.5 million decrease in amortisation of health club brands and customer relationship intangible assets;
- A $1.0 million increase in loss on disposal of property, plant and equipment;
- Dreamworld incident costs of $3.8 million, incurred during the current period;
- No gain on sale and leaseback of Main Event family entertainment centres (31 December 2015: $1.2 million gain); however, this was partially offset by:
- A gain on sale before tax of $45.0 million relating to the Health clubs division;
- A $1.3 million decrease in borrowing costs due to reduction in debt balances following the Health clubs disposal; and
- A $2.6 million decrease in the Group's tax expense.

Core earnings (as defined in Note 4 to the financial statements) represents the earnings of the Group after adding back unrealised items such as unrealised gains or losses on derivative financial instruments, unrealised valuation gains and losses on investment properties and property, plant and equipment, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, impairment of property, plant and equipment and intangible assets, amortisation of health club brands and customer relationship intangible assets and one off realised items such as the gain on sale of discontinued operation and associated selling costs, loss on closure of bowling centre and Dreamworld incident costs. Core earnings decreased by $17.7 million, or 58.0%, to $12.8 million.

Overall, the Group benefits from the diversity of its operating divisions. Each of the divisions has a senior executive team and a growth strategy with a common theme that offers customers quality affordable leisure experiences, innovative products and a consistently high level of customer service, customer engagement and, importantly, value for money.

# Directors' report to stapled security holders

## 5. Value of assets

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Value of total assets | 920,934 | 1,157,632 | 555,063 | 649,324 |
| **Value of net assets** | **564,630** | **619,983** | **196,255** | **174,883** |

## 6. Interests in the Group

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

| | Consolidated Group December 2016 | Consolidated Group June 2016 |
|---|---|---|
| Stapled securities on issue at the beginning of the period | 463,039,616 | 442,322,106 |
| Stapled securities issued under Distribution Reinvestment Plan | 4,812,776 | 19,377,615 |
| Stapled securities issued as part of ALL's employee security-based payments plans | 1,242,283 | 1,339,895 |
| **Stapled securities on issue at the end of the period** | **469,094,675** | **463,039,616** |

## 7. 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 6.

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

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

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

**George Venardos**
*Chairman*

**Deborah Thomas**
*Managing Director*

Sydney
22 February 2017

## Auditor's Independence Declaration

As lead auditor for the review of Ardent Leisure Group for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
22 February 2017

***PricewaterhouseCoopers, ABN 52 780 433 757***
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# Income Statements
for the half year ended 31 December 2016

| | Note | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Revenue from operating activities | 2 | 242,887 | 230,884 | 242,887 | 230,884 |
| Management fee income | | - | - | 600 | 600 |
| Net gain from derivative financial instruments | | - | 17 | - | - |
| Interest income | | 58 | 43 | 52 | 34 |
| Gain on sale and leaseback of family entertainment centres | | - | 1,211 | - | 1,211 |
| **Total income** | | **242,945** | **232,155** | **243,539** | **232,729** |
| Expenses | | | | | |
| Purchases of finished goods | | 33,345 | 30,344 | 33,345 | 30,344 |
| Salary and employee benefits | | 99,175 | 87,092 | 100,285 | 87,787 |
| Borrowing costs | | 6,201 | 7,477 | 4,757 | 5,647 |
| Property expenses | | 31,854 | 27,995 | 42,112 | 54,587 |
| Depreciation and amortisation | | 23,867 | 19,299 | 14,556 | 10,577 |
| Loss on closure of bowling centre | | 92 | - | - | - |
| Loss/(gain) on disposal of assets | | 602 | 135 | 456 | (18) |
| Advertising and promotions | | 10,893 | 8,356 | 10,893 | 8,356 |
| Repairs and maintenance | | 13,798 | 11,342 | 13,798 | 11,342 |
| Pre-opening expenses | | 6,865 | 2,019 | 6,865 | 2,019 |
| Business acquisition costs | | - | 66 | - | 66 |
| Impairment of property, plant and equipment | | 222 | - | - | - |
| Impairment of goodwill | | 783 | - | 783 | - |
| Net loss from derivative financial instruments | | 54 | - | - | - |
| Valuation loss - property, plant and equipment | | 90,620 | - | - | - |
| Dreamworld incident costs | | 3,800 | - | 3,550 | - |
| Other expenses | | 21,908 | 19,621 | 21,749 | 19,255 |
| **Total expenses** | | **344,079** | **213,746** | **253,149** | **229,962** |
| **(Loss)/profit before tax expense** | | **(101,134)** | **18,409** | **(9,610)** | **2,767** |
| Income tax benefit/(expense) | 3 | 2,528 | (1,975) | 2,589 | (1,925) |
| **(Loss)/profit from continuing operations** | | **(98,606)** | **16,434** | **(7,021)** | **842** |
| Profit from discontinued operations | 8 | 49,256 | 6,232 | 18,157 | 373 |
| **(Loss)/profit for the half year** | | **(49,350)** | **22,666** | **11,136** | **1,215** |
| Attributable to: | | | | | |
| Stapled security holders | | (49,350) | 22,666 | 11,136 | 1,215 |
| **(Loss)/profit for the half year** | | **(49,350)** | **22,666** | **11,136** | **1,215** |

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

| | | | | | |
|---|---|---|---|---|---|
| Total basic (losses)/earnings per security/share (cents) | 4 | (10.57) | 5.08 | 2.38 | 0.27 |
| Basic (losses)/earnings per security/share (cents) from continuing operations | 4 | (21.12) | 3.68 | (1.51) | 0.19 |
| Total diluted (losses)/earnings per security/share (cents) | 4 | (10.54) | 5.07 | 2.38 | 0.27 |
| Diluted (losses)/earnings per security/share (cents) from continuing operations | 4 | (21.06) | 3.67 | (1.50) | 0.19 |

# Statements of Comprehensive Income
for the half year ended 31 December 2016

| | Note | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|---|
| (Loss)/profit for the half year | | (49,350) | 22,666 | 11,136 | 1,215 |
| Other comprehensive income | | | | | |
| *Items that may be reclassified to profit or loss* | | | | | |
| Cash flow hedges | 13 | 2,700 | 374 | 1,607 | 292 |
| Foreign exchange translation difference | 13 | 9,418 | 2,289 | 5,651 | 2,964 |
| Income tax relating to these items | 13 | (580) | (104) | (580) | (104) |
| *Items that will not be reclassified to profit or loss* | | | | | |
| (Loss)/gain on revaluation of property, plant and equipment | 13 | (3,014) | 1,708 | - | - |
| **Other comprehensive income for the half year, net of tax** | | **8,524** | **4,267** | **6,678** | **3,152** |
| **Total comprehensive (loss)/income for the half year, net of tax** | | **(40,826)** | **26,933** | **17,814** | **4,367** |
| Attributable to: | | | | | |
| Stapled security holders | | (40,826) | 26,933 | 17,814 | 4,367 |
| **Total comprehensive (loss)/income for the half year, net of tax** | | **(40,826)** | **26,933** | **17,814** | **4,367** |
| Total comprehensive (loss)/income for the half year attributable to stapled security holders arises from: | | | | | |
| Continuing operations | | (90,082) | 20,701 | (343) | 3,994 |
| Discontinued operations | | 49,256 | 6,232 | 18,157 | 373 |
| **Total comprehensive (loss)/income for the half year, net of tax** | | **(40,826)** | **26,933** | **17,814** | **4,367** |

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

# Balance Sheets
as at 31 December 2016

| | Note | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash and cash equivalents | | 22,247 | 9,070 | 20,431 | 8,391 |
| Receivables | | 9,920 | 13,286 | 20,057 | 13,286 |
| Derivative financial instruments | 6 | 54 | 131 | 1 | - |
| Inventories | | 13,820 | 13,002 | 13,820 | 13,002 |
| Current tax receivables | | 3,406 | 3,275 | 3,406 | 3,275 |
| Construction in progress inventories | 7 | 43,371 | 61,796 | 43,371 | 61,796 |
| Asset classified as held for sale | 8(d) | 115,737 | 112,940 | 3,249 | 2,782 |
| Other | | 9,169 | 7,913 | 8,553 | 7,384 |
| **Total current assets** | | **217,724** | **221,413** | **112,888** | **109,916** |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 593,650 | 683,759 | 332,679 | 287,061 |
| Investments held at fair value | | 3,201 | - | 3,201 | - |
| Derivative financial instruments | 6 | 294 | 113 | 230 | - |
| Livestock | | 209 | 221 | 209 | 221 |
| Intangible assets | 10 | 97,972 | 246,129 | 97,972 | 246,129 |
| Deferred tax assets | | 7,884 | 5,997 | 7,884 | 5,997 |
| **Total non-current assets** | | **703,210** | **936,219** | **442,175** | **539,408** |
| **Total assets** | | **920,934** | **1,157,632** | **555,063** | **649,324** |
| Current liabilities | | | | | |
| Payables | | 93,382 | 106,407 | 84,590 | 93,699 |
| Construction in progress deposits | 7 | 39,676 | 55,494 | 39,676 | 55,494 |
| Derivative financial instruments | 6 | 515 | 1,202 | - | 132 |
| Current tax liabilities | | 23 | 63 | 23 | 63 |
| Provisions | | 4,337 | 4,029 | 4,337 | 4,029 |
| Liabilities directly associated with assets classified as held for sale | 8(d) | 4,104 | 4,104 | 3,834 | 3,716 |
| Other | | 2,193 | 1,985 | 2,193 | 1,985 |
| **Total current liabilities** | | **144,230** | **173,284** | **134,653** | **159,118** |
| Non-current liabilities | | | | | |
| Derivative financial instruments | 6 | 1,060 | 2,937 | 8 | 1,283 |
| Interest bearing liabilities | 11 | 164,643 | 312,903 | 182,845 | 276,088 |
| Provisions | | 7,421 | 14,987 | 2,352 | 4,414 |
| Deferred tax liabilities | | 38,950 | 33,538 | 38,950 | 33,538 |
| **Total non-current liabilities** | | **212,074** | **364,365** | **224,155** | **315,323** |
| **Total liabilities** | | **356,304** | **537,649** | **358,808** | **474,441** |
| **Net assets** | | **564,630** | **619,983** | **196,255** | **174,883** |
| Equity | | | | | |
| Contributed equity | 12 | 662,332 | 649,720 | 170,658 | 167,100 |
| Reserves | 13 | (18,086) | (24,938) | 15,713 | 9,035 |
| (Accumulated losses)/retained profits | 14 | (79,616) | (4,799) | 9,884 | (1,252) |
| **Total equity attributable to stapled security holders** | | **564,630** | **619,983** | **196,255** | **174,883** |
| **Total equity** | | **564,630** | **619,983** | **196,255** | **174,883** |

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

# Statements of Changes in Equity
for the half year ended 31 December 2016

| | Note | Contributed equity $'000 | Reserves $'000 | (Accumulated losses)/retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Consolidated Group | | | | | |
| Total equity at 1 July 2015 | | 605,181 | (30,691) | 4,992 | 579,482 |
| Profit for the half year | | - | - | 22,666 | 22,666 |
| Other comprehensive income for the half year | | - | 4,267 | - | 4,267 |
| **Total comprehensive income for the half year** | | **-** | **4,267** | **22,666** | **26,933** |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Security-based payments | | - | (2,653) | - | (2,653) |
| Contributions of equity, net of issue costs | | 9,840 | - | - | 9,840 |
| Security-based payments - securities/shares issued | 12 | 3,377 | - | - | 3,377 |
| Distributions paid and payable | 5 | - | - | (24,328) | (24,328) |
| Reserve transfers | | - | (1,708) | 1,708 | - |
| **Total equity at 31 December 2015** | | **618,398** | **(30,785)** | **5,038** | **592,651** |
| Total equity at 1 July 2016 | | 649,720 | (24,938) | (4,799) | 619,983 |
| Loss for the half year | | - | - | (49,350) | (49,350) |
| Other comprehensive income for the half year | | - | 8,524 | - | 8,524 |
| **Total comprehensive loss for the half year** | | **-** | **8,524** | **(49,350)** | **(40,826)** |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Security-based payments | 13 | - | (1,672) | - | (1,672) |
| Contributions of equity, net of issue costs | 12 | 9,249 | - | - | 9,249 |
| Security-based payments - securities/shares issued | 12 | 3,363 | - | - | 3,363 |
| Distributions paid and payable | 5 | - | - | (25,467) | (25,467) |
| Reserve transfers | 13 | - | - | - | - |
| **Total equity at 31 December 2016** | | **662,332** | **(18,086)** | **(79,616)** | **564,630** |
| ALL Group | | | | | |
| Total equity at 1 July 2015 | | 155,262 | 7,638 | (11,893) | 151,007 |
| Profit for the half year | | - | - | 1,215 | 1,215 |
| Other comprehensive income for the half year | | - | 3,152 | - | 3,152 |
| **Total comprehensive income for the half year** | | **-** | **3,152** | **1,215** | **4,367** |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of issue costs | | 2,564 | - | - | 2,564 |
| Security-based payments - securities/shares issued | 12 | 880 | - | - | 880 |
| **Total equity at 31 December 2015** | | **158,706** | **10,790** | **(10,678)** | **158,818** |
| Total equity at 1 July 2016 | | 167,100 | 9,035 | (1,252) | 174,883 |
| Profit for the half year | | - | - | 11,136 | 11,136 |
| Other comprehensive income for the half year | | - | 6,678 | - | 6,678 |
| **Total comprehensive income for the half year** | | **-** | **6,678** | **11,136** | **17,814** |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of issue costs | 12 | 2,609 | - | - | 2,609 |
| Security-based payments - securities/shares issued | 12 | 949 | - | - | 949 |
| **Total equity at 31 December 2016** | | **170,658** | **15,713** | **9,884** | **196,255** |

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

# Statements of Cash Flows
for the half year ended 31 December 2016

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Receipts from customers | 347,826 | 365,378 | 350,042 | 368,399 |
| Payments to suppliers and employees | (269,265) | (258,952) | (270,249) | (255,277) |
| Property expenses paid | (49,861) | (53,575) | (48,393) | (51,646) |
| Payments for construction in progress inventories | (29,993) | (21,440) | (29,993) | (21,440) |
| Interest received | 58 | 43 | 52 | 34 |
| Rent payments to the Trust | - | - | (45,425) | (58,082) |
| Deposits received for construction in progress | 32,647 | 21,440 | 32,647 | 21,440 |
| Receipts of funds for property costs from the Trust | - | - | 25,814 | 31,042 |
| US withholding tax paid | (19) | (1) | - | - |
| Income tax paid | (261) | (4,636) | (2,741) | (4,636) |
| **Net cash flows from operating activities** | **31,132** | **48,257** | **11,754** | **29,834** |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment and intangibles | (114,443) | (95,894) | (100,245) | (87,676) |
| Purchase of assets for the Trust | - | - | (15,449) | (9,731) |
| Receipt of funds for assets purchased on behalf of the Trust | - | - | 11,169 | 12,232 |
| Proceeds from sale of plant and equipment | 145 | 154 | 145 | 151 |
| Proceeds from sale of land and buildings | - | 23,849 | - | 23,849 |
| Proceeds from the sale of health clubs | 259,328 | - | 202,530 | - |
| Payments for purchase of investments | (3,201) | - | (3,201) | - |
| Payments for purchase of businesses, net of cash acquired | - | (1,297) | - | (1,398) |
| **Net cash flows from investing activities** | **141,829** | **(73,188)** | **94,949** | **(62,573)** |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 844,983 | 1,532,540 | 492,892 | 756,447 |
| Repayments of borrowings | (982,437) | (1,486,452) | (555,062) | (727,527) |
| Borrowing costs | (5,992) | (9,127) | (5,342) | (8,405) |
| Costs of issue of stapled securities | (36) | (30) | (10) | (8) |
| Proceeds from loans from the Trust | - | - | 163,852 | 41,800 |
| Repayments of borrowings to the Trust | - | - | (190,876) | (32,307) |
| Distributions paid to stapled security holders | (16,182) | (14,458) | - | - |
| **Net cash flows from financing activities** | **(159,664)** | **22,473** | **(94,546)** | **30,000** |
| Net increase/(decrease) in cash and cash equivalents | 13,297 | (2,458) | 12,157 | (2,739) |
| Cash and cash equivalents at the beginning of the half year | 9,072 | 4,986 | 8,393 | 4,685 |
| Effect of exchange rate changes on cash and cash equivalents | (119) | (80) | (116) | (75) |
| **Cash and cash equivalents at the end of the half year** | **22,250** | **2,448** | **20,434** | **1,871** |

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

# Notes to the Financial Statements
for the half year ended 31 December 2016

## 1. Summary of significant accounting policies

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

The significant policies which have been adopted in the preparation of these consolidated interim financial statements for the half year ended 31 December 2016 are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

### (a) Basis of preparation

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

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

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

These consolidated interim financial statements for the reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the Trust Constitution, Australian Accounting Standards (including AASB 134 *Interim Financial Reporting*) and the *Corporations Act 2001*. They do not include all the notes of the type normally included in the annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual financial report of Ardent Leisure Group for the year ended 30 June 2016 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

***Compliance with IFRS as issued by the IASB***

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

***New and amended accounting standards adopted by the Group***

The new or amended accounting standards which became effective for the reporting period commencing on 1 July 2016 are set out below:

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

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

***Historical cost convention***

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

## 1. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

***Critical accounting estimates***

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of the fair value of the Group's assets, which are derived on a consistent basis with that disclosed in the annual financial report of the Group for the year ended 30 June 2016, and assumptions related to deferred tax assets and liabilities, impairment testing of goodwill, operating lease make good obligations and Director valuations for some property, plant and equipment, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next reporting period.

***Deficiency of current assets***

As at 31 December 2016, the ALL Group had deficiencies of current assets of $21.8 million (30 June 2016: $49.2 million). Due to the nature of the business, the majority of sales are for cash whereas purchases are on credit, resulting in a negative working capital position. Surplus cash is used to repay non-current external loans, resulting in a deficiency of current assets at 31 December 2016. The Group has $420.7 million (30 June 2016: $262.1 million) of unused loan capacity which can be drawn on as required. The ALL Group has $321.4 million (30 June 2016: $300.0 million) of unused capacity in its bank loans and its loans with the Trust which can be utilised to fund any deficiency in its net current assets.

### (b) New accounting standards, amendments and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group for accounting periods beginning on or after 1 January 2017 but which the Group has not yet adopted. The Group's and the ALL Group's assessment of the impact of those new standards, amendments and interpretations which may have an impact is set out below:

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

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

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

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

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

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

***Early adoption of standards***

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

## 1. Summary of significant accounting policies (continued)

### (c) Financial assets

***Investments held at fair value***

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

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

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

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

## Notes to the Financial Statements
for the half year ended 31 December 2016

### 2. Revenue from operating activities

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Revenue from services | 160,736 | 156,974 | 160,736 | 156,974 |
| Revenue from sale of goods | 82,146 | 73,905 | 82,146 | 73,905 |
| Other revenue | 5 | 5 | 5 | 5 |
| **Revenue from operating activities** | **242,887** | **230,884** | **242,887** | **230,884** |

## 3. Income tax (benefit)/expense

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

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Current tax | (5,485) | (3,782) | (5,546) | (3,832) |
| Deferred tax | 4,865 | 6,637 | 4,865 | 6,637 |
| Over provided in prior year | 459 | (450) | 459 | (450) |
| | **(161)** | **2,405** | **(222)** | **2,355** |
| **Income tax (benefit)/expense is attributable to:** | | | | |
| (Loss)/profit from continuing operations | (2,528) | 1,975 | (2,589) | 1,925 |
| Profit from discontinued operations | 2,367 | 430 | 2,367 | 430 |
| | **(161)** | **2,405** | **(222)** | **2,355** |
| **Deferred income tax expense included in income tax (benefit)/expense comprises:** | | | | |
| (Increase)/decrease in deferred tax assets | (234) | 1,371 | (234) | 1,371 |
| Increase in deferred tax liabilities | 5,099 | 5,266 | 5,099 | 5,266 |
| | **4,865** | **6,637** | **4,865** | **6,637** |

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

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| (Loss)/profit from continuing operations before income tax expense | (101,134) | 18,409 | (9,610) | 2,767 |
| Profit from discontinued operations before income tax expense | 51,623 | 6,662 | 20,524 | 803 |
| | **(49,511)** | **25,071** | **10,914** | **3,570** |
| Less: Loss/(profit) from the trusts | 70,218 | (26,439) | - | - |
| **Prima facie profit/(loss)** | **20,707** | **(1,368)** | **10,914** | **3,570** |
| Tax at the Australian tax rate of 30% (31 December 2015: 30%) | 6,212 | (410) | 3,274 | 1,071 |
| Tax effects of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Goodwill impairment | 235 | - | 235 | - |
| Entertainment | 73 | 48 | 73 | 48 |
| Non-deductible depreciation and amortisation | 1,835 | 1,740 | - | - |
| Sundry items | (254) | (436) | 78 | (229) |
| Employee security-based payment plans | 285 | 264 | 285 | 264 |
| Business acquisition costs | - | (39) | - | (39) |
| Gain on disposal of health clubs | (9,801) | - | (5,389) | - |
| Selling costs associated with discontinued operation classified as held for sale | 243 | - | 243 | - |
| Foreign exchange conversion differences | - | (2) | - | (2) |
| US state taxes | 562 | 993 | 562 | 993 |
| Withholding tax | 34 | 2 | - | - |
| Research and development and other credits | (233) | (195) | (233) | (195) |
| Difference in overseas tax rates | 189 | 890 | 191 | 894 |
| Over provided in prior year | 459 | (450) | 459 | (450) |
| **Income tax (benefit)/expense** | **(161)** | **2,405** | **(222)** | **2,355** |

## 4. (Losses)/earnings per security/share

| | Consolidated Group December 2016 | Consolidated Group December 2015 | ALL Group December 2016 | ALL Group December 2015 |
|---|---|---|---|---|
| Basic (losses)/earnings per security/share (cents) from continuing operations | (21.12) | 3.68 | (1.51) | 0.19 |
| Basic earnings per security/share (cents) from discontinued operations | 10.55 | 1.40 | 3.89 | 0.08 |
| **Total basic (losses)/earnings per security/share (cents)** | **(10.57)** | **5.08** | **2.38** | **0.27** |
| Diluted (losses)/earnings per security/share (cents) from continuing operations | (21.06) | 3.67 | (1.50) | 0.19 |
| Diluted earnings per security/share (cents) from discontinued operations | 10.52 | 1.40 | 3.88 | 0.08 |
| **Total diluted (losses)/earnings per security/share (cents)** | **(10.54)** | **5.07** | **2.38** | **0.27** |
| Core earnings per security (cents) | 2.74 | 6.84 | N/A | N/A |
| Diluted core earnings per security (cents) | 2.74 | 6.82 | N/A | N/A |
| (Losses)/earnings used in the calculation of basic and diluted earnings per security/share ($'000) | (49,350) | 22,666 | 11,136 | 1,215 |
| Earnings used in the calculation of core earnings per security (refer to calculation in table below) ($'000) | 12, 815 | 30,539 | N/A | N/A |
| Weighted average number of stapled securities on issue used in the calculation of basic and core earnings per security/share ('000) | 467,003 | 446,327 | 467,003 | 446,327 |
| Weighted average number of stapled securities held by ALL employees under employee share plans ('000) | 1,154 | 1,147 | 1,154 | 1,147 |
| Weighted average number of stapled securities on issue used in the calculation of diluted earnings per security/share ('000) | 468,157 | 447,474 | 468,157 | 447,474 |

## 4. Earnings per security/share (continued)

### Calculation of core earnings

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

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

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

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 |
|---|---|---|
| **(Loss)/profit used in calculating earnings per stapled security** | **(49,350)** | **22,666** |
| *Unrealised items* | | |
| - Unrealised loss/(gain) on derivative financial instruments | 54 | (17) |
| - Valuation gain - investment properties | - | (8) |
| - Valuation loss - property, plant and equipment | 90,620 | - |
| - Impairment - property, plant and equipment | 112 | - |
| - Impairment - goodwill | 783 | - |
| *Non-cash items* | | |
| - Straight lining of fixed rent increases | 452 | 905 |
| - IFRS depreciation(1) | 6,118 | 5,800 |
| - Amortisation of health club brands and customer relationship intangible assets | 907 | 2,412 |
| *One off realised items* | | |
| - Pre-opening expenses | 6,865 | 2,367 |
| - Business acquisition income | - | (132) |
| - Increase/(decrease) in onerous lease provisions | 299 | (1,141) |
| - Loss on closure of bowling centre | 92 | - |
| - Dreamworld incident costs | 3,800 | - |
| - Gain on sale and leaseback of family entertainment centres | - | (1,211) |
| - Gain on sale of discontinued operation | (44,977) | - |
| - Selling costs associated with discontinued operation classified as held for sale | 574 | - |
| Tax impact of above adjustments | (3,534) | (1,102) |
| **Core earnings** | **12,815** | **30,539** |

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

## 5. Distributions and dividends paid and payable

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

| | ALL Group dividend cents per stapled security | Trust distribution cents per stapled security | Consolidated Group Total amount $'000 |
|---|---|---|---|
| 2016 distributions for the half year ended: | | | |
| 31 December 2016* | - | 2.00 | 9,382 |
| 30 June 2016 | - | 5.50 | 25,467 |
| | **-** | **7.50** | **34,849** |
| 2015 distributions and dividends for the half year ended: | | | |
| 31 December 2015** | - | 7.00 | 31,377 |
| 30 June 2015 | - | 5.50 | 24,328 |
| | **-** | **12.50** | **55,705** |

* The distribution totalling 2.00 cents per stapled security for the period ended 31 December 2016 was not declared prior to 31 December 2016. Refer to Note 21.

** The distribution of 7.00 cents per stapled security for the period ended 31 December 2015 was not declared prior to 31 December 2015.

No dividends were paid by the ALL Group during the period.

## 6. Derivative financial instruments

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Current assets | | | | |
| Forward foreign exchange contracts | 53 | 131 | - | - |
| Interest rate swaps | 1 | - | 1 | - |
| | **54** | **131** | **1** | **-** |
| Non-current assets | | | | |
| Forward foreign exchange contracts | 25 | - | - | - |
| Interest rate swaps | 269 | 113 | 230 | - |
| | **294** | **113** | **230** | **-** |
| Current liabilities | | | | |
| Interest rate swaps | 515 | 1,202 | - | 132 |
| | **515** | **1,202** | **-** | **132** |
| Non-current liabilities | | | | |
| Interest rate swaps | 1,060 | 2,937 | 8 | 1,283 |
| | **1,060** | **2,937** | **8** | **1,283** |

### Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy US dollars and sell Australian dollars. These contracts total A$2.1 million (30 June 2016: A$0.6 million).

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

### Interest rate swaps

The Group has entered into interest rate swap agreements totalling A$80.0 million (30 June 2016: A$80.0 million) and US$53.0 million (30 June 2016: US$95.0 million) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal and oblige it to pay interest at a fixed rate. The interest rate swap agreements allow the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate. The Group also has forward starting interest rate swaps totalling A$120.0 million (30 June 2016: $120.0 million) and US$7.0 million (30 June 2016: $7.0 million) with start dates from June 2017 and maturities up to June 2019.

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

## 7. Construction in progress

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

At 31 December 2016, the Group had agreements for construction of five family entertainment centres at Olathe, Suwanee, North Kansas City, Humble and Knoxville. These agreements set out agreed construction timetables, estimated costs and other key terms, including the right of the third party to exercise a put option and recover deposits advanced to the Group should construction not be completed within agreed timeframes. At 31 December 2016, construction on the Olathe and Suwannee centres was complete with all other sites well progressed and expected to be completed within 12 months and agreed timeframes.

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

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Construction in progress inventories | | | | |
| Carrying amount at the beginning of the period | 61,796 | - | 61,796 | - |
| Additions | 29,993 | 74,868 | 29,993 | 74,868 |
| Disposals | (50,992) | (12,176) | (50,992) | (12,176) |
| Foreign exchange movements | 2,574 | (896) | 2,574 | (896) |
| **Carrying amount at the end of the period** | **43,371** | **61,796** | **43,371** | **61,796** |

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

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Construction in progress deposits | | | | |
| Carrying amount at the beginning of the period | 55,494 | - | 55,494 | - |
| Deposits advanced | 32,647 | 68,116 | 32,647 | 68,116 |
| Settlements of deposits advanced | (50,992) | (12,176) | (50,992) | (12,176) |
| Foreign exchange movements | 2,527 | (446) | 2,527 | (446) |
| **Carrying amount at the end of the period** | **39,676** | **55,494** | **39,676** | **55,494** |

## 8. Discontinued operations

### (a) Overview

On 12 December 2016, the Group announced that it had entered into a put and call option agreement to dispose of its entire interest in the Marinas division for a sale price of $126.0 million. Completion is subject to landlord consents for the transfer of the head leases and is expected to occur prior to 30 June 2017. The sale process incurred transaction costs of approximately $0.6 million in the period (31 December 2015: nil). The associated assets and liabilities have been presented as held for sale and a discontinued operation at 31 December 2016.

On 19 August 2016, the Group announced its decision to sell the health clubs business, with completion occurring on 25 October 2016. The gross consideration of $260.0 million comprised a cash component of $230.0 million and deferred consideration of $30.0 million in the form of vendor loan notes for which payment was received on 13 December 2016. The Health clubs business, previously a reportable segment, comprised 76 Goodlife health clubs in Queensland, New South Wales, Victoria, South Australia and Western Australia, including 14 in-club Hypoxi studios. The division also included two independent Hypoxi studios in New South Wales and two independent Hypoxi studios in Phoenix, Arizona. Following the sale, the business has been classified as a discontinued operation at 31 December 2016.

### (b) Financial performance

The financial performance for the half year ended 31 December 2016 was as follows:

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Revenue | 74,285 | 103,158 | 74,285 | 103,150 |
| Expenses | 67,065 | 96,496 | 71,334 | 102,347 |
| **Profit before income tax** | **7,220** | **6,662** | **2,951** | **803** |
| Income tax expense | (2,196) | (430) | (2,196) | (430) |
| **Profit after income tax of discontinued operations** | **5,024** | **6,232** | **755** | **373** |
| Gain on sale of the discontinued operation after tax | 44,806 | - | 18,212 | - |
| Costs incurred relating to the sale of the discontinued operation currently held for sale | 574 | - | 810 | - |
| **Profit from discontinued operations** | **49,256** | **6,232** | **18,157** | **373** |

### (c) Cash flow information

The cash flows for the period ended 31 December 2016 were as follows:

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Net cash inflow from operating activities | 5,755 | 17,683 | 3,491 | 13,027 |
| Net cash inflow/(outflow) from investing activities | 253,971 | (16,009) | 199,329 | (11,391) |
| Net cash outflow from financing activities | (740) | (1,812) | (632) | (1,774) |
| **Net increase/(decrease) in cash generated by the discontinued operations** | **258,986** | **(138)** | **202,188** | **(138)** |

The net cash inflow from investing activities in the Consolidated Group in the period to 31 December 2016 includes an inflow of $259.3 million from the disposal of the Health clubs business.

The net cash inflow from investing activities in the ALL Group in the period to 31 December 2016 includes an inflow of $202.5 million from the disposal of the Health clubs business.

## 8. Discontinued operations (continued)

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

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation at 31 December 2016:

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Assets classified as held for sale | | | | |
| Cash and cash equivalents | 3 | 2 | 3 | 2 |
| Receivables | 474 | 652 | 474 | 652 |
| Inventories | 209 | 201 | 209 | 201 |
| Deferred tax assets | 6 | 104 | 6 | 104 |
| Investment properties | 104,345 | 102,838 | - | - |
| Property, plant and equipment | 8,956 | 8,096 | 1,695 | 1,474 |
| Other | 1,744 | 1,047 | 862 | 349 |
| **Total assets of disposal group held for sale** | **115,737** | **112,940** | **3,249** | **2,782** |
| Labilities directly associated with assets classified as held for sale | | | | |
| Payables | 3,002 | 3,114 | 2,732 | 2,726 |
| Provisions | 108 | 40 | 108 | 40 |
| Other | 994 | 950 | 994 | 950 |
| **Total liabilities of disposal group held for sale** | **4,104** | **4,104** | **3,834** | **3,716** |

### (e) Details of the sale of health clubs

Gain on sale

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Consideration received or receivable: | | | | |
| Cash consideration | 260,000 | - | 203,200 | - |
| Cash payment for working capital adjustments | (416) | - | (416) | - |
| **Total disposal consideration** | **259,584** | **-** | **202,784** | **-** |
| Selling costs | (6,253) | - | (5,393) | - |
| Carrying amount of net assets sold | (208,354) | - | (179,008) | - |
| **Gain on sale before income tax** | **44,977** | **-** | **18,383** | **-** |
| Income tax expense on gain | (171) | - | (171) | - |
| **Gain on sale after income tax** | **44,806** | **-** | **18,212** | **-** |

## 8. Discontinued operations (continued)

### (e) Details of the sale of health clubs (continued)

#### Carrying value of assets on sale

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

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

## 9. Property, plant and equipment

#### Consolidated Group

| Property | Note | Cost less accumulated depreciation December 2016 $'000 | Cumulative revaluation (decrements)/ increments December 2016 $'000 | Consolidated book value December 2016 $'000 | Cost less accumulated depreciation June 2016 $'000 | Cumulative revaluation increments/ (decrements) June 2016 $'000 | Consolidated book value June 2016 $'000 |
|---|---|---|---|---|---|---|---|
| Theme parks | (1) (2) | 226,224 | (45,828) | 180,396 | 219,927 | 47,806 | 267,733 |
| Bowling centres | (3) | 113,333 | 1,191 | 114,524 | 104,131 | 1,191 | 105,322 |
| Family entertainment centres | (4) | 296,362 | (86) | 296,276 | 223,732 | (86) | 223,646 |
| Health clubs | (5) | - | - | - | 84,711 | - | 84,711 |
| Other | (6) | 2,454 | - | 2,454 | 2,347 | - | 2,347 |
| Total | | **638,373** | **(44,723)** | **593,650** | **634,848** | **48,911** | **683,759** |

(1) The book value of Dreamworld and WhiteWater World land and buildings and major rides and attractions (including intangible assets of $0.7 million (30 June 2016: $1.6 million) and livestock of $0.2 million (30 June 2016: $0.2 million) is $146.8 million (30 June 2016: $235.0 million). In an independent valuation performed at 31 December 2016 by Jones Lang LaSalle, the fair value of these assets was assessed to be in the range of $147.0 - $158.0 million (30 June 2016: $235.0 million). Having regard to independent advice, the Directors have assessed the fair value of those assets to be $146.8 million and valued other property, plant and equipment of Dreamworld and WhiteWater World at 31 December 2016 at $0.2 million (30 June 2016: $0.2 million). Refer to additional theme parks valuation information below.

(2) The book value of SkyPoint (including intangible assets of $3.6 million (30 June 2016: $3.6 million) is $34.2 million (30 June 2016: $34.3 million). In an independent valuation performed at 30 June 2016 by Jones Lang LaSalle, the fair value for SkyPoint was assessed to be $34.3 million.

(3) At 31 December 2016, the Directors assessed the fair value of the one remaining freehold building to be $1.6 million (30 June 2016: $1.6 million) and the remaining property, plant and equipment to be $112.9 million (30 June 2016: $103.7 million). The freehold building was last independently valued at 30 June 2016 at $1.6 million.

(4) At 31 December 2016, the Directors assessed the fair value of the property, plant and equipment in the family entertainment centres to be $296.3 million (30 June 2016: $223.6 million).

(5) The property, plant and equipment relating to health clubs has been sold during the period – refer to Note 8.

(6) The fair value of other property, plant and equipment was assessed by the Directors to be $2.5 million at 31 December 2016 (30 June 2016: $2.3 million).

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

### Theme parks valuation

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

The impact of the incident, subsequent closure of the parks and progressive re-opening of rides, negatively impacted attendance and revenues. As a result, at 31 December 2016, the Group has recognised a revaluation decrement to the property, plant and equipment of Dreamworld and WhiteWater World of $93.6 million, of which $90.6 million has been recognised in the Income Statement and $0.3 million has been recognised in reserves.

At 31 December 2016, the valuation of Dreamworld and WhiteWater World has been determined in accordance with AASB 13 *Fair Value Measurement* which defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants. This Standard requires that the valuation take account of the benefits attainable under the highest and best use, provided that any alternate uses are physically possible, legally permissible and financially feasible.

In determining fair value at 31 December 2016, the Group has undertaken an extensive process including engagement of a number of independent external specialists including:

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

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

| | December 2016 | June 2016 |
|---|---|---|
| FY18 (year one) EBITDA | 11,703 | 31,652 |
| Capitalisation rate | 12.00% - 13.00% | 9.50% |
| Discount rate | 14.50% - 16.00% | 13.25% - 13.50% |
| Terminal yield | 12.00% - 13.50% | 10.50% - 10.75% |

In addition, the valuer has assumed a gradual recovery of attendances to FY16 (pre-incident) levels over the next four years, with FY18 attendances estimated to be approximately 77% of FY16 levels.

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

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

| | Capitalisation rate (%) | Discount rate (%) | Terminal Yield (%) | FY18 EBITDA |
|---|---|---|---|---|
| Fair value measurement sensitivity to 0.5% increase in rate | - $6.6 million | - $3.2 million | - $4.5 million | n/a |
| Fair value measurement sensitivity to 0.5% decrease in rate | + $7.2 million | + $3.3 million | + $4.9 million | n/a |
| Fair value measurement sensitivity to 10.0% increase in assumed FY18 attendance levels | n/a | n/a | n/a | + $2.4 million |
| Fair value measurement sensitivity to 10.0% decrease in assumed FY18 attendance levels | n/a | n/a | n/a | - $2.4 million |

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

### Theme parks valuation (continued)

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

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

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

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Carrying amount at the beginning of the period | 683,759 | 609,682 | 287,061 | 213,600 |
| Additions | 107,126 | 146,295 | 93,480 | 127,981 |
| Acquired through business combinations | - | 667 | - | 667 |
| Transfer from investment properties | - | 3,586 | - | - |
| Disposal relating to the sale of health clubs | (82,131) | - | (38,070) | - |
| Reclassified as assets held for sale | - | (8,096) | - | (1,474) |
| Disposals | (1,628) | (24,230) | (902) | (22,964) |
| Depreciation | (27,551) | (57,921) | (16,812) | (34,151) |
| Foreign exchange movements | 7,787 | 3,705 | 7,771 | 3,560 |
| Revaluation (decrements)/increments | (93,634) | 10,534 | - | - |
| Impairment | (78) | (463) | 151 | (158) |
| **Carrying amount at the end of the period** | **593,650** | **683,759** | **332,679** | **287,061** |

## 10. Intangible assets

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Customer relationships at cost | - | 35,948 | - | 35,948 |
| Accumulated amortisation | - | (33,746) | - | (33,746) |
| | **-** | **2,202** | **-** | **2,202** |
| Brands at cost | - | 12,392 | - | 12,392 |
| Accumulated amortisation | - | (6,677) | - | (6,677) |
| | **-** | **5,715** | **-** | **5,715** |
| Other intangible assets at cost | 16,861 | 15,203 | 15,433 | 13,775 |
| Accumulated amortisation | (5,136) | (5,024) | (3,708) | (3,596) |
| | **11,725** | **10,179** | **11,725** | **10,179** |
| Goodwill at cost | 100,942 | 239,731 | 100,942 | 239,731 |
| Accumulated impairment charge | (14,695) | (11,698) | (14,695) | (11,698) |
| | **86,247** | **228,033** | **86,247** | **228,033** |
| **Total intangible assets** | **97,972** | **246,129** | **97,972** | **246,129** |

## 10. Intangible assets (continued)

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Customer relationships | | | | |
| Opening net book amount | 2,202 | 5,549 | 2,202 | 5,549 |
| Additions | - | 13 | - | 13 |
| Disposals | (1,652) | - | (1,652) | - |
| Amortisation | (550) | (3,360) | (550) | (3,360) |
| **Closing net book amount** | **-** | **2,202** | **-** | **2,202** |
| Brands | | | | |
| Opening net book amount | 5,715 | 6,766 | 5,715 | 6,766 |
| Additions | - | 34 | - | 34 |
| Disposals | (5,328) | - | (5,328) | - |
| Amortisation | (359) | (1,131) | (359) | (1,131) |
| Foreign exchange movements | (28) | 46 | (28) | 46 |
| **Closing net book amount** | **-** | **5,715** | **-** | **5,715** |
| Other intangible assets | | | | |
| Opening net book amount | 10,179 | 5,477 | 10,179 | 5,477 |
| Additions | 5,273 | 7,002 | 5,273 | 7,002 |
| Disposals | (2,537) | - | (2,537) | - |
| Amortisation | (1,457) | (2,250) | (1,457) | (2,250) |
| Foreign exchange movements | 267 | (50) | 267 | (50) |
| **Closing net book amount** | **11,725** | **10,179** | **11,725** | **10,179** |
| Goodwill | | | | |
| Opening net book amount | 228,033 | 225,152 | 228,033 | 225,152 |
| Additions | - | 857 | - | 857 |
| Disposals | (142,433) | - | (142,433) | - |
| Foreign exchange movements | 1,430 | 2,024 | 1,430 | 2,024 |
| Impairment | (783) | - | (783) | - |
| **Closing net book amount** | **86,247** | **228,033** | **86,247** | **228,033** |
| **Total intangible assets** | **97,972** | **246,129** | **97,972** | **246,129** |

Detailed impairment testing was performed at 30 June 2016 for goodwill. Refer to Note 21 to the annual financial statements for the year ended 30 June 2016 for further details of the key assumptions used in this testing and sensitivity analysis for each of the business segments.

During the half year ended 31 December 2016, performance trends were slightly below the levels assumed in the June 2016 impairment testing for bowling centres and family entertainment centres. As a result, management reperformed impairment testing at 31 December 2016. The resulting recoverable amounts for bowling centres and family entertainment centres were well in excess of their carrying amounts.

Subsequent to the Thunder River Rapids ride incident on 25 October, attendance levels and earnings of the Dreamworld and WhiteWater World theme parks have been negatively impacted. As a result, at 31 December 2016, the Group has recognised an impairment write off to goodwill of $0.8 million, as shown above.

## 11. Interest bearing liabilities

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Non-current | | | | |
| Bank loan - term debt | 166,225 | 314,944 | 76,009 | 148,869 |
| Less: Amortised costs - bank loan | (1,582) | (2,041) | (781) | (1,002) |
| Loans from the Trust | - | - | 107,617 | 128,221 |
| **Total interest bearing liabilities** | **164,643** | **312,903** | **182,845** | **276,088** |

The term debt is secured by mortgages over all freehold property, leasehold mortgages over key bowling centre and marina leases, registered security interests over all present and after acquired property of key Group companies, and pledged interests over all US property. The terms of the debt also impose certain covenants on the Group as follows:

- Debt serviceability ratio, being the ratio of debt to EBITDA adjusted for unrealised and one off items (adjusted EBITDA), must not exceed 3.5 (30 June 2016: 3.5);
- Fixed charge cover ratio, being the ratio of adjusted EBITDA to fixed charges, must be no less than 1.75 (30 June 2016: 1.75); and
- Capital expenditure must be no more than 110% of the annual forecasts provided to its lenders each financial year (30 June 2016: not applicable).

### Credit facilities

As at 31 December 2016, the Group had unrestricted access to the following credit facilities:

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| A$ syndicated facilities | 200,000 | 200,000 | - | - |
| Amount used | (90,216) | (142,433) | - | - |
| **Amount unused** | **109,784** | **57,567** | **-** | **-** |
| US$ syndicated facilities | 386,954 | 377,054 | 359,315 | 350,121 |
| Amount used | (76,009) | (172,511) | (76,009) | (148,869) |
| **Amount unused** | **310,945** | **204,543** | **283,306** | **201,252** |
| Trust facilities | - | - | 145,721 | 226,933 |
| Amount used | - | - | (107,617) | (128,211) |
| **Amount unused** | **-** | **-** | **38,104** | **98,722** |
| Total facilities | 586,954 | 577,054 | 505,036 | 577,054 |
| Total amount used | (166,225) | (314,944) | (183,626) | (277,090) |
| **Total amount unused** | **420,729** | **262,110** | **321,410** | **299,964** |

## 11. Interest bearing liabilities (continued)

### Credit facilities (continued)

***Consolidated Group***

The Group has access to A$200.0 million (30 June 2016: A$200.0 million) syndicated facilities and US$280.0 million (30 June 2016: US$280.0 million) syndicated facilities. A$66.7 million of the AUD facilities will mature on 10 August 2018, A$66.7 million will mature on 10 August 2019 and A$66.7 million will mature on 10 August 2020. US$93.3 million of the USD facilities will mature on 10 August 2018, US$93.3 million will mature on 10 August 2019 and US$93.3 million will mature on 10 August 2020.

All of the facilities have a variable interest rate. As detailed in Note 6, the interest rates on the loans are partially fixed using interest rate swaps. The weighted average interest rates payable on the loans at 31 December 2016, including the impact of the interest rate swaps, is 4.63% per annum for AUD denominated debt (30 June 2016: 4.32% per annum) and 2.66% per annum for USD denominated debt (30 June 2016: 2.37% per annum).

***ALL Group***

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

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

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

## 12. Contributed equity

| No. of securities/ shares | Details | Date of income entitlement | Note | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|---|---|---|
| 442,322,106 | Securities/shares on issue | 30 Jun 2015 | | | 605,181 | | 155,262 |
| 19,377,615 | DRP issue | 1 Jul 2015 | (i) | | 41,240 | | 10,979 |
| 1,339,895 | Security-based payments - securities/shares issued | 1 Jul 2015 | (ii) | | 3,377 | | 880 |
| - | Issue costs paid | | | | (78) | | (21) |
| 463,039,616 | Securities/shares on issue | 30 Jun 2016 | | 649,720 | 649,720 | 167,100 | 167,100 |
| 4,812,776 | DRP issue | 1 Jul 2016 | (i) | 9,285 | | 2,619 | |
| 1,242,283 | Security-based payments - securities/shares issued | 1 Jul 2016 | (ii) | 3,363 | | 949 | |
| - | Issue costs paid | | | (36) | | (10) | |
| **469,094,675** | **Securities/shares on issue** | **31 Dec 2016** | | **662,332** | **649,720** | **170,658** | **167,100** |

### (i) Distribution Reinvestment Plan (DRP) issues

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

### (ii) Security-based payments

The Group has Deferred Short Term Incentive Plan (DSTI) and Long Term Incentive Plan (LTIP) remuneration arrangements under which performance rights are issued to certain management and other personnel within the Group as part of their remuneration arrangements. These performance rights are subject to vesting conditions as set out in the 30 June 2016 annual report. Upon vesting, the Group issues stapled securities to these personnel.

## 13. Reserves

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 | ALL Group December 2016 $'000 | ALL Group June 2016 $'000 |
|---|---|---|---|---|
| Asset revaluation reserve | | | | |
| Opening balance | 17,436 | 10,429 | 3,416 | 3,416 |
| Revaluation - Theme parks | (3,014) | 11,243 | - | - |
| Revaluation - Bowling centres | - | (709) | - | - |
| Transfer to (accumulated losses)/retained profits - realised items | - | (3,527) | - | - |
| **Closing balance** | **14,422** | **17,436** | **3,416** | **3,416** |
| Cash flow hedge reserve | | | | |
| Opening balance | (3,495) | (2,058) | (950) | (70) |
| Movement in effective cash flow hedges | 2,700 | (1,878) | 1,607 | (1,321) |
| Tax on movement on US cash flow hedges | (580) | 441 | (580) | 441 |
| **Closing balance** | **(1,375)** | **(3,495)** | **77** | **(950)** |
| Foreign currency translation reserve | | | | |
| Opening balance | (33,096) | (35,145) | 6,569 | 4,292 |
| Translation of foreign operations | 9,418 | 2,049 | 5,651 | 2,277 |
| **Closing balance** | **(23,678)** | **(33,096)** | **12,220** | **6,569** |
| Stapled security-based payment reserve | | | | |
| Opening balance | (5,783) | (3,917) | - | - |
| Option expense | (1,672) | (1,866) | - | - |
| **Closing balance** | **(7,455)** | **(5,783)** | **-** | **-** |
| **Total reserves** | **(18,086)** | **(24,938)** | **15,713** | **9,035** |

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

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 6.

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

The stapled security-based payment reserve is used to recognise the fair value of performance rights issued to employees but not yet exercised under the Group's Deferred Short Term Incentive and Long Term Incentive Plans.

# Notes to the Financial Statements
for the half year ended 31 December 2016

## 14. (Accumulated losses)/retained profits

| | Consolidated Group December 2016 $'000 | Consolidated Group December 2015 $'000 | ALL Group December 2016 $'000 | ALL Group December 2015 $'000 |
|---|---|---|---|---|
| Opening balance | (4,799) | 4,992 | (1,252) | (11,893) |
| (Loss)/profit for the half year | (49,350) | 22,666 | 11,136 | 1,215 |
| Available for distribution | (54,149) | 27,658 | 9,884 | (10,678) |
| Transfer from asset revaluation reserve | - | 1,708 | - | - |
| Distributions and dividends paid and payable | (25,467) | (24,328) | - | - |
| **Closing balance** | **(79,616)** | **5,038** | **9,884** | **(10,678)** |

The Trust distribution for the period ended 31 December 2016 totalling 2.00 cents per stapled security, or $9.4 million, had not been declared at half year end. This will be paid on or before 28 February 2017 as described in Note 21.

## 15. Business combinations

### Prior period

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

## 16. Net tangible assets

| | Consolidated Group December 2016 $'000 | Consolidated Group June 2016 $'000 |
|---|---|---|
| Net tangible assets are calculated as follows: | | |
| Total assets | 920,934 | 1,157,632 |
| Less: Intangible assets | (97,972) | (246,129) |
| Less: Total liabilities | (356,304) | (537,649) |
| **Net tangible assets** | **466,658** | **373,854** |
| Total number of stapled securities on issue | 469,094,675 | 463,039,616 |
| Net tangible asset backing per stapled security | $0.99 | $0.81 |

## 17. Segment information

### Business segments

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

***Family entertainment centres***

This segment comprises 31 Main Event sites in Texas, Arizona, Georgia, Illinois, Oklahoma, Missouri, Kentucky, Ohio, New Mexico, Kansas, Florida and Tennessee, United States of America.

***Bowling centres***

This segment comprises 47 bowling centres and four amusement arcades located in Australia and New Zealand.

***Marinas***

This segment comprises seven d'Albora Marina properties, located in New South Wales and Victoria.

***Theme parks***

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

***Health clubs***

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

The main Income Statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA before property costs and after property costs. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is looked at after adjusting for pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, movements in onerous lease provisions, amortisation of health club brands and customer relationship intangible assets, impairment of property, plant and equipment and intangible assets, and gain on sale of discontinued operations and associated selling costs, valuation gains/losses on investment property and property, plant and equipment, costs associated with the Dreamworld incident and loss on closure of bowling centre. As shown in Note 4, these items are excluded from management's definition of core earnings.

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

## 17. Segment information (continued)

Business segment

*Consolidated Group - 31 December 2016*

| | Discontinued operations | Continuing operations | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Marinas $'000 | Health clubs $'000 | Family entertainment centres $'000 | Bowling centres $'000 | Theme parks $'000 | Other $'000 | $'000 |
| **Revenue from operating activities** | **11,608** | **62,677** | **136,765** | **64,341** | **41,775** | **6** | **317,172** |
| Divisional EBITDA before property costs[(1)] | 6,435 | 25,612 | 42,054 | 21,974 | 6,380 | - | 102,455 |
| Divisional EBITDA[(2)] | 5,101 | 9,772 | 24,546 | 8,401 | 5,874 | - | 53,694 |
| Depreciation and amortisation[(3)] | - | (3,728) | (11,092) | (4,796) | (2,690) | (600) | (22,906) |
| **Divisional EBIT[(4)]** | **5,101** | **6,044** | **13,454** | **3,605** | **3,184** | **(600)** | **30,788** |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, increase in onerous lease provisions, intangible asset amortisation, impairment of goodwill and property, plant and equipment, selling costs associated with the sale of Marinas not included in divisional EBIT | | | | | | | (16,110) |
| Valuation loss - property, plant and equipment | | | | | | | (90,620) |
| Loss on closure of bowling centre | | | | | | | (92) |
| Loss on disposal of assets | | | | | | | (1,254) |
| Gain on disposal of health clubs | | | | | | | 44,977 |
| Dreamworld incident costs | | | | | | | (3,800) |
| Net loss from derivative financial instruments | | | | | | | (54) |
| Interest income | | | | | | | 58 |
| Corporate costs | | | | | | | (7,188) |
| Foreign exchange gains | | | | | | | 16 |
| Borrowing costs | | | | | | | (6,232) |
| Net tax benefit | | | | | | | 161 |
| **Loss for the half year** | | | | | | | **(49,350)** |
| Total assets | 116,424 | - | 438,740 | 151,441 | 198,746 | 15,583 | 920,934 |
| Acquisitions of property, plant and equipment and intangible assets | 2,367 | 3,039 | 80,209 | 18,167 | 10,453 | 531 | 114,766 |

(1) Excludes pre-opening expenses of $6,865,000.
(2) Excludes pre-opening expenses of $6,865,000, straight lining of fixed rent increases of $452,000 and increase in onerous lease provisions of $299,000.
(3) Excludes IFRS depreciation of $6,118,000 and amortisation of health club brands and customer relationship intangible assets of $907,000.
(4) Excludes pre-opening expenses of $6,865,000, straight lining of fixed rent increases of $452,000, IFRS depreciation of $6,118,000, increase in onerous lease provisions of $299,000 and amortisation of health club brands and customer relationship intangible assets of $907,000.

## 17. Segment information (continued)

Business segment

*Consolidated Group – 31 December 2015*

| | Marinas $'000 | Health clubs $'000 | Family entertainment centres $'000 | Bowling centres $'000 | Theme parks $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue from operating activities** | **10,959** | **91,993** | **105,058** | **67,433** | **58,388** | **5** | **333,836** |
| Divisional EBITDA before property costs[1] | 5,973 | 36,566 | 34,330 | 24,428 | 21,832 | - | 123,129 |
| Divisional EBITDA[2] | 4,630 | 13,295 | 20,874 | 11,019 | 21,206 | - | 71,024 |
| Depreciation and amortisation[3] | (487) | (6,002) | (8,083) | (4,518) | (2,689) | (553) | (22,332) |
| **Divisional EBIT[4]** | **4,143** | **7,293** | **12,791** | **6,501** | **18,517** | **(553)** | **48,692** |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, decrease in onerous lease provisions and intangible asset amortisation not included in divisional EBIT | | | | | | | (10,343) |
| Valuation gain - investment properties | | | | | | | 8 |
| Loss on disposal of assets | | | | | | | (237) |
| Gain on sale and leaseback of family entertainment centre | | | | | | | 1,211 |
| Net gain from derivative financial instruments | | | | | | | 17 |
| Interest income | | | | | | | 43 |
| Corporate costs | | | | | | | (6,901) |
| Foreign exchange losses | | | | | | | (2) |
| Business acquisition income | | | | | | | 132 |
| Borrowing costs | | | | | | | (7,549) |
| Net tax expense | | | | | | | (2,405) |
| **Profit for the half year** | | | | | | | **22,666** |
| Total assets as at 30 June 2016 | 113,093 | 251,144 | 357,836 | 137,986 | 283,774 | 13,799 | 1,157,632 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 6,448 | 20,612 | 106,013 | 16,968 | 9,638 | 592 | 160,271 |

(1) Excludes pre-opening expenses of $2,367,000.
(2) Excludes pre-opening expenses of $2,367,000, straight lining of fixed rent increases of $905,000 and decrease in onerous lease provisions of $1,141,000.
(3) Excludes IFRS depreciation of $5,800,000 and amortisation of health club brands and customer relationship intangible assets totalling $2,412,000.
(4) Excludes pre-opening expenses of $2,367,000, straight lining of fixed rent increases of $905,000, IFRS depreciation of $5,800,000, decrease in onerous lease provisions of $1,141,000 and amortisation of health club brands and customer relationship intangible assets of $2,412,000.

## 17. Segment information (continued)

Business segment

*ALL Group - 31 December 2016*

| | Discontinued operations | Continuing operations | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Marinas $'000 | Health clubs $'000 | Family entertainment centres $'000 | Bowling centres $'000 | Theme parks $'000 | Other $'000 | $'000 |
| **Revenue from operating activities** | **11,608** | **62,677** | **136,765** | **64,341** | **41,775** | **6** | **317,172** |
| Divisional EBITDA before rent to Trust[1] | 6,435 | 21,417 | 24,546 | 21,974 | 6,380 | - | 80,752 |
| Divisional EBITDA after rent to Trust[1] | 473 | 8,118 | 24,546 | 3,614 | 766 | - | 37,517 |
| Depreciation and amortisation[2] | - | (3,727) | (11,092) | (1,980) | (882) | (603) | (18,284) |
| **Divisional EBIT[3]** | **473** | **4,391** | **13,454** | **1,634** | **(116)** | **(603)** | **19,233** |
| Pre-opening expenses, straight lining of fixed rent increases, decrease in onerous lease provisions, intangible asset amortisation, impairment of goodwill, reversal of impairment on property, plant and equipment, and selling costs associated with the sale of Marinas not included in divisional EBIT | | | | | | | (9,537) |
| Gain on disposal of health clubs | | | | | | | 18,383 |
| Loss on disposal of assets | | | | | | | (757) |
| Dreamworld incident costs | | | | | | | (3,550) |
| Interest income | | | | | | | 52 |
| Corporate costs | | | | | | | (7,469) |
| Foreign exchange losses | | | | | | | (52) |
| Borrowing costs | | | | | | | (5,389) |
| Net tax benefit | | | | | | | 222 |
| **Profit for the half year** | | | | | | | **11,136** |
| Total assets | 3,446 | - | 438,651 | 59,013 | 40,457 | 13,496 | 555,063 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 221 | 2,194 | 80,210 | 5,454 | 10,366 | 530 | 98,975 |

(1) Excludes pre-opening expenses of $6,865,000, straight lining of fixed rent increases of $461,000 and decrease in onerous lease provisions of $172,000.
(2) Excludes amortisation of health club brands and customer relationship intangible assets of $907,000.
(3) Excludes pre-opening expenses of $6,865,000, straight lining of fixed increase of $461,000, decrease in onerous lease provisions of $172,000 and amortisation of health club brands and customer relationship intangible assets of $907,000.

## 17. Segment information (continued)

Business segment

*ALL Group - 31 December 2015*

| | Marinas $'000 | Health clubs $'000 | Family entertainment centres $'000 | Bowling centres $'000 | Theme parks $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue from operating activities** | **10,959** | **91,993** | **105,058** | **67,433** | **58,388** | **5** | **333,836** |
| Divisional EBITDA before rent to Trust[1] | 5,973 | 30,182 | 20,874 | 24,399 | 21,832 | - | 103,260 |
| Divisional EBITDA after rent to Trust[1] | 541 | 10,499 | 20,874 | 4,046 | 1,692 | - | 37,652 |
| Depreciation and amortisation[2] | (108) | (6,002) | (8,083) | (1,212) | (728) | (553) | (16,686) |
| **Divisional EBIT[3]** | **433** | **4,497** | **12,791** | **2,834** | **964** | **(553)** | **20,966** |
| Pre-opening expenses, straight lining of fixed rent increases, decrease in onerous lease provisions and intangible asset amortisation not included in divisional EBIT | | | | | | | (4,698) |
| Loss on disposal of assets | | | | | | | (85) |
| Gain on sale and leaseback of family entertainment centres | | | | | | | 1,211 |
| Interest income | | | | | | | 34 |
| Corporate costs | | | | | | | (6,775) |
| Foreign exchange gains | | | | | | | 206 |
| Business acquisition income | | | | | | | 132 |
| Borrowing costs | | | | | | | (7,421) |
| Net tax expense | | | | | | | (2,355) |
| **Profit for the half year** | | | | | | | **1,215** |
| Total assets as at 30 June 2016 | 2,972 | 206,187 | 357,907 | 47,735 | 21,679 | 12,844 | 649,324 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 706 | 14,189 | 106,022 | 12,256 | 2,789 | 592 | 136,554 |

(1) Excludes pre-opening expenses of $2,367,000, straight lining of fixed rent increases of $617,000 and decrease in onerous lease provisions of $698,000.
(2) Excludes amortisation of health club brands and customer relationship intangible assets of $2,412,000.
(3) Excludes pre-opening expenses of $2,367,000, straight lining of fixed rent increases of $617,000, decrease in onerous lease provisions of $698,000 and amortisation of health club brands and customer relationship intangible assets of $2,412,000.

## 18. Fair value measurement of financial instruments

### (a) Fair value hierarchy

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

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

The following table presents the Consolidated Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

| **Consolidated Group December 2016** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Derivative financial assets | - | 348 | - | 348 |
| Investments | - | - | 3,201 | 3,201 |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 1,575 | - | 1,575 |

| **June 2016** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Derivative financial assets | - | 244 | - | 244 |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 4,139 | - | 4,139 |

The following table presents the ALL Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

| **ALL Group December 2016** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Derivative financial assets | - | 231 | - | 231 |
| Investments | - | - | 3,201 | 3,201 |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 8 | - | 8 |

| **June 2016** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| Financial assets measured at fair value: | | | | |
| Derivative financial assets | - | - | - | - |
| Financial liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 1,415 | - | 1,415 |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2016.

## 18. Fair value measurement of financial instruments (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 is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

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

### (c) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 instruments for the half year ended 31 December 2016:

| | Investment in unlisted entity $'000 |
|---|---|
| Opening balance | - |
| Acquisitions | 3,201 |
| **Closing balance** | **3,201** |

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

The Consolidated Group and the ALL Group also have 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. Significant differences were identified for the following instruments at 31 December 2016:

| | Carrying amount December 2016 $'000 | Fair value December 2016 $'000 | Discount rate December 2016 % per annum | Carrying amount June 2016 $'000 | Fair value June 2016 $'000 | Discount rate June 2016 % per annum |
|---|---|---|---|---|---|---|
| Consolidated Group | | | | | | |
| Interest bearing liabilities | 166,225 | 165,885 | 2.88 | 314,944 | 314,345 | 2.82 |
| ALL Group | | | | | | |
| Interest bearing liabilities | 183,626 | 183,398 | 2.88 | 277,090 | 277,754 | 2.82 |

In determining the fair value of the interest bearing liabilities, the principal payable of $166,225,000 was discounted at a rate of 2.88% per annum to best reflect the price that market participants would use when transferring the non-current borrowings, assuming that market participants act in their economic best interest. They were classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

## 19. Contingent liabilities

On 25 October 2016, an incident on the Thunder River Rapids ride at Dreamworld resulted in four fatalities at the theme park. The park and adjoining WhiteWater World were subsequently closed for 45 days and re-opened on 10 December 2016. Rides in Dreamworld were progressively re-opened as independent safety reviews were completed.

The incident is the subject of ongoing investigations by the Queensland Police Service (QPS) and Workplace Health and Safety Queensland (WHSQ). The timing of the conclusion, and the findings, of both investigations are not yet known. The incident will be subject to a coronial inquest, the timing of which is also not yet known.

The Group expects to be subjected to prosecution proceedings by WHSQ and civil claims from families and other affected persons, however the nature, timing and likely outcome of such actions are not yet known.

As at 31 December 2016, it is too premature to provide any meaningful or reliable estimate of the quantum of potential pecuniary penalties or damages to civil claimants. The Group maintains appropriate insurances to respond to all such litigation and regulatory action and associated costs.

Unless otherwise disclosed in the financial statements, there are no other material contingent liabilities.

## 20. Related party disclosures

There were no new material related party transactions in the half year to 31 December 2016. The annual financial report for the year ended 30 June 2016 provides further details on the nature of previous related party transactions.

## 21. Events occurring after reporting date

Subsequent to half year end, a Trust distribution of 2.00 cents per stapled security was declared by the Board of Directors. The total distribution amount of $9.4 million will be paid on or before 28 February 2017 in respect of the period ended 31 December 2016.

Since the end of the financial period, the Directors of the Manager and ALL are not aware of any other matter or circumstance not otherwise dealt with in the financial report or the Directors' report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial periods subsequent to the half year ended 31 December 2016.

# Independent auditor's review report to stapled security holders

In the opinion of the Directors of Ardent Leisure Management Limited and Ardent Leisure Limited:

(a) The interim financial statements and notes of Ardent Leisure Trust and its controlled entities, including Ardent Leisure Limited and its controlled entities (Ardent Leisure Group) and Ardent Leisure Limited and its controlled entities (ALL Group) set out on pages 7 to 39 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the Ardent Leisure Group's and ALL Group's financial position as at 31 December 2016 and of their performance, as represented by the results of their operations, their changes in equity and their cash flows, for the financial period ended on that date; and

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

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

**George Venardos**
*Chairman*

**Deborah Thomas**
*Managing Director*

Sydney
22 February 2017

# Independent auditor's review report to the stapled security holders of Ardent Leisure Group and Ardent Leisure Limited Group

## *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report which comprises:

- The balance sheet as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ardent Leisure Group (the consolidated stapled entity). The consolidated stapled entity, as described in Note 1, comprises the Ardent Leisure Trust (the Trust) and the entities it controlled during that half-year.

- The balance sheet as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ardent Leisure Limited Group (the ALL Group). The ALL Group, as described in Note 1, comprises Ardent Leisure Limited (the company or ALL) and the entities it controlled during that half-year.

### *Directors' responsibility for the half-year financial report*

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

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated stapled entity's and of the ALL Group's financial position as at 31 December 2016 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ardent Leisure Group and Ardent Leisure Limited Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Independence*

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

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ardent Leisure Group and the ALL Group is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated stapled entity's and of the ALL Group's financial position as at 31 December 2016 and of their performance for the half-year ended on that date;

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

## *Emphasis of matter – Theme park valuation*

We draw attention to Note 9 to the financial statements which describes the impact of the Dreamworld incident on the valuation of the theme park assets and the material valuation uncertainty which exists as a result. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers.

PricewaterhouseCoopers

Timothy J Allman
Partner

Brisbane
22 February 2017