

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2014

Name of Entity: Ardent Leisure Group

Details of reporting periods

| | |
|------------------------|--------------|
| Current | 30 June 2014 |
| Previous corresponding | 30 June 2013 |

Results for announcement to the market

| \$A'000 | | |
|---|-----------------------------|--|
| Revenues from ordinary activities | Up 11.3% to | 499,703 |
| Profit from ordinary activities after tax attributable to members | Up 37.6% to | 49,002 |
| Net profit for the period attributable to members | Up 37.6% to | 49,002 |
| Core Earnings | Up 15.7% to | 58,153 |
| Distributions | Amount per stapled security | Tax deferred amount per stapled security |
| <i>Current Period:</i> | | |
| Final distribution | 6.20¢ | |
| Interim distribution | 6.80¢ | |
| Total | 13.00¢ | 4.72¢ |
| <i>Previous Corresponding Period:</i> | | |
| Final distribution | 5.40¢ | |
| Interim distribution | 6.60¢ | |
| Total | 12.00¢ | 8.24¢ |
| Record date for determining entitlements to the distribution | | 30 June 2014 |

Explanation of results

Overview

The Group's strategy is to focus primarily on domestic leisure segments with mass market appeal. The Group's operations are diversified through its five core operating divisions, being health clubs, family entertainment centres in the US, theme parks, marinas and bowling centres.

The Group's theme parks and marinas divisions occupy strategic positions within their respective markets while the other three divisions provide well established operating platforms with organic growth opportunities to roll out new sites or make "bolt-on" acquisitions as conditions permit.

During the year, the Group purchased two health clubs at Camberwell and Port Melbourne in Victoria for \$3.9 million and \$1.4 million respectively and an amusement arcade in central Sydney for \$2.9 million. It also acquired the Australian and New Zealand distribution rights for Hypoxi, a targeted weight loss solutions business for \$3.8 million. Refer to Note 32 to the financial statements.

Group results

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

| | Segment revenues 2014 \$'000 | Segment revenues 2013 \$'000 | Segment EBITDA* 2014 \$'000 | Segment EBITDA* 2013 \$'000 |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Health clubs | 164,070 | 140,689 | 33,990 | 30,329 |
| Family entertainment centres | 98,121 | 72,695 | 24,714 | 17,541 |
| Theme parks | 100,139 | 97,086 | 32,799 | 30,450 |
| Marinas | 23,466 | 23,141 | 10,396 | 10,687 |
| Bowling centres | 113,889 | 115,230 | 13,765 | 12,773 |
| Other | 18 | 62 | (1) | (7) |
| Total | 499,703 | 448,903 | 115,663 | 101,773 |
| Depreciation and amortisation* | | | (27,148) | (22,644) |
| Divisional EBIT | | | 88,515 | 79,129 |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and intangible asset amortisation not included in divisional EBIT | | | (19,020) | (18,497) |
| Valuation gains – investment properties | | | - | 90 |
| Valuation gains – property, plant and equipment | | | 8,590 | - |
| Loss on closure of bowling centre | | | (1,579) | - |
| (Loss)/gain on disposal of assets | | | (453) | 313 |
| Gain on acquisition | | | - | 2,613 |
| Gain on sale and leaseback of family entertainment centre | | | 379 | - |
| Net (loss)/gain from derivative financial instruments | | | (613) | 602 |
| Interest income | | | 211 | 228 |
| Corporate costs | | | (12,545) | (11,192) |
| Business acquisition costs | | | (277) | (1,507) |
| Borrowing costs | | | (11,330) | (12,288) |
| Net tax expense | | | (2,876) | (3,874) |
| Profit | | | 49,002 | 35,617 |

* Segment earnings before interest, tax, depreciation and amortisation (EBITDA) excludes pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and amortisation of intangible assets. 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 EBITDA, 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.

Profit for the year increased by \$13.4 million, or 37.6%, to \$49.0 million, mainly due to the following factors:

- Revenue from operating activities increased by \$50.8 million, or 11.3%, to \$499.7 million and divisional EBITDA increased by \$13.9 million, or 13.6%, to \$115.7 million. Further commentary on divisional results is set out separately below;
- There were \$8.6 million of valuation gains on property, plant and equipment in the current year compared to a \$0.1 million valuation gain on investment properties in the prior year; and
- Business acquisition costs of \$0.3 million were lower than the prior year costs of \$1.5 million.

This was partly offset by the following factors:

- There was a \$2.6 million gain on acquisition of health clubs in the prior year, with no gain in the current year;
- There was a net loss of \$0.6 million from derivative financial instruments in the current year compared to a net gain of \$0.6 million in the prior year;
- There was a loss on closure of a bowling centre in the current year of \$1.6 million; and
- Corporate costs increased by \$1.4 million to \$12.5 million.

The above factors also delivered an increase in core earnings of \$7.9 million, or 15.7%, to \$58.2 million. Core earnings (as defined in Note 11 to the financial statements) represents the earnings of the Group after adding back unrealised items (such as unrealised gains or losses on derivatives and unrealised valuation gains on investment property and property, plant and equipment and losses), straight lining of fixed rent increases, IFRS depreciation, amortisation of intangible assets and one off realised items.

Health clubs

The performance of health clubs is summarised as follows:

| | 2014 \$'000 | 2013 \$'000 | Change % |
|---|----------------|----------------|-------------|
| Total revenue | 164,070 | 140,689 | 16.6 |
| EBRITDA (excluding pre-opening expenses) | 70,249 | 60,032 | 17.0 |
| Operating margin | 42.8% | 42.7% | |
| Property costs (excluding straight-line rent) | (36,259) | (29,703) | 22.1 |
| EBITDA | 33,990 | 30,329 | 12.1 |

The division showed strong performance across its portfolio during the year, with an increase in revenues of 16.6% to \$164.1 million and growth in EBITDA of 12.1% to \$34.0 million. This was driven predominantly by acquisitions and developments, accompanied by improved constant club trading as set out below:

| | Revenue 2014 \$'000 | Revenue 2013 \$'000 | Change % | EBRITDA 2014 \$'000 | EBRITDA 2013 \$'000 | Change % |
|--|---------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|
| Constant clubs | 100,291 | 97,563 | 2.8 | 50,859 | 48,341 | 5.2 |
| Clubs closed | 1 | 615 | (99.8) | (11) | 98 | (111.2) |
| New clubs/acquisitions | 62,840 | 42,352 | 48.4 | 32,150 | 22,052 | 45.8 |
| Corporate and regional office expenses/sales and marketing | 938 | 159 | 489.9 | (12,749) | (10,459) | 21.9 |
| Total | 164,070 | 140,689 | 16.6 | 70,249 | 60,032 | 17.0 |

Health club acquisitions at Camberwell and Port Melbourne together with the acquisition of the Hypoxi business have contributed towards continued growth in the current year. The Fenix and Fitness First health clubs acquired in the prior year have contributed a full year's earnings in the current year, being acquired early in the second quarter of the prior financial year.

The impact of acquisitions has been supported by 5.2% EBITDA growth in constant clubs, with increased penetration in the personal trainer model ensuring the operating margin was maintained at 42.8% for the year. Increased investment in remodelling clubs to increase training zones resulted in an immediate trading uplift with low capital investment. Further cost effective investment in club refits are expected to allow further member growth through increased personal training, small group training and new class offerings.

Increased portfolio scale is now delivering benefit through improved equipment purchasing and better procurement opportunities. Technology enhancements in the first half will enable fully digital member on-boarding and are expected to positively impact member yields, experience and engagement. Functional training refits are planned for 17 clubs in FY15.

Hypoxi will continue to be rolled out in selected clubs and this is expected to increase revenue streams with three new in-club Hypoxi studios planned to complement the existing five in-club studios.

The health club division strategy will be to continue to grow revenue and earnings through new developments, acquisitions and organic constant club growth.

Family entertainment centres

The performance of Main Event's family entertainment centres is summarised as follows:

| | 2014 US\$'000 | 2013 US\$'000 | Change % |
|---|------------------|------------------|-------------|
| Total revenue | 89,254 | 73,543 | 21.4 |
| EBRITDA (excluding pre-opening expenses) | 33,513 | 27,213 | 23.2 |
| Operating margin | 37.5% | 37.0% | |
| Property costs | (11,112) | (9,513) | 16.8 |
| EBITDA | 22,401 | 17,700 | 26.6 |

During the year, total US dollar revenue grew by 21.4%, driving EBITDA growth of 26.6%. This was due to new developments and growth in constant centre revenue and earnings, further analysis of which is set out below:

| | Revenue 2014 US\$'000 | Revenue 2013 US\$'000 | Change % | EBRITDA 2014 US\$'000 | EBRITDA 2013 US\$'000 | Change % |
|---|-----------------------------|-----------------------------|-------------|-----------------------------|-----------------------------|-------------|
| Constant centres | 70,148 | 67,149 | 4.5 | 31,828 | 29,031 | 9.6 |
| New centres | 19,106 | 6,394 | 198.8 | 8,467 | 2,759 | 206.9 |
| Corporate and regional office expenses/sales and marketing | - | - | - | (6,782) | (4,577) | 48.2 |
| Total | 89,254 | 73,543 | 21.4 | 33,513 | 27,213 | 23.2 |

Constant centre revenue grew by 4.5%, driven by increased guest spend from value-based promotions and growth in corporate, group and social league events. There have also been continued improvements in food and beverage offerings and amusement games. Continued focus on guest experiences have increased guest satisfaction results.

The newest centres in Katy, Stafford and Tempe continue to deliver revenue and earnings above the portfolio average. Further centres opened in Alpharetta, Georgia in late June 2014 and Pharr, Texas in early August, and five sites are currently under construction, with the division on track to achieve the target of 20 centres by the end of FY15. Negotiations are advanced for seven new sites in FY16 and preliminary investigations are also underway on eight new sites in FY17.

The family entertainment centres division strategy will be to continue to grow revenue and earnings through new centre developments and constant centre growth.

Theme parks

The performance of the theme parks division is summarised as follows:

| | 2014 | 2013 | Change |
|-----------------------|---------------|---------------|------------|
| | \$'000 | \$'000 | % |
| Total revenue | 100,139 | 97,086 | 3.1 |
| EBRITDA | 33,867 | 32,211 | 5.1 |
| Operating margin | 33.8% | 33.2% | |
| Property costs | (1,068) | (1,761) | (39.4) |
| EBITDA | 32,799 | 30,450 | 7.7 |
| Attendance | 2,042,164 | 1,874,951 | 8.9 |
| Per capita spend (\$) | 49.04 | 51.78 | (5.3) |

Revenue growth of 3.1% in the year was driven by the Theme Park Capital campaign creating strong brand awareness in interstate and NZ markets and supported the Happiness brand campaign, delivering 7.8% growth in the second half. There is a continued shift to online and digital sales channels while maintaining focus on trade and industry relationships. Online sales now represent over 30% of total revenue.

Dreamworld Corroboree furthered appeal in the group, education and international markets and provides a unique point of difference, which won the Queensland Premier's award for Reconciliation initiatives. Dreamworld Corroboree is an interactive walk-through experience celebrating Aboriginal and Torres Strait Islander culture, wildlife and stories. It has one of the largest native wildlife parks in South East Queensland with hundreds of native animals including the second largest koala population and the only non-government Queensland Bilby breeding program in the world

SkyPoint continued to perform well, with increased attendances boosted by inclusion in the Unlimited Worldpass offer and growth in events and climb revenue.

Earnings continued to grow in the current year with a 7.7% lift in EBITDA resulting from the flow through of increased revenue and operating margin improvements from efficiencies in energy and water usage.

A new Tailspin thrill ride and Triple Vortex waterslide are expected to be ready for the September school holiday period. The implementation of a new food and beverage strategy, including three new outlets, in the first half of FY15 is expected to fundamentally change the theme park product offering and encourage repeat visitation.

The division's continued its investment in digital, social and e-commerce platforms and direct sales strategy will cost effectively target new business and assist in improving yield.

The strategy of the theme park division is to grow revenue and earnings by continuing to invest in unique products and by providing value and a great experience to its customers.

Marinas

The performance of marinas is summarised as follows:

| | 2014 | 2013 | Change |
|------------------|---------------|---------------|--------------|
| | \$'000 | \$'000 | % |
| Total revenue | 23,466 | 23,141 | 1.4 |
| EBRITDA | 12,944 | 13,034 | (0.7) |
| Operating margin | 55.2% | 56.3% | |
| Property costs | (2,548) | (2,347) | 8.6 |
| EBITDA | 10,396 | 10,687 | (2.7) |

Revenue from marinas grew by 1.4%, to \$23.5 million, although EBITDA fell slightly by 2.7% to \$10.4 million. Marina revenue principally comprises the following:

| | 2014 | 2013 | Change |
|----------------|---------------|---------------|------------|
| | \$'000 | \$'000 | % |
| Berthing | 12,812 | 12,891 | (0.6) |
| Land | 5,375 | 5,459 | (1.5) |
| Fuel and other | 5,279 | 4,791 | 10.2 |
| Total | 23,466 | 23,141 | 1.4 |

Revenues increased by \$0.3 million, or 1.4%, due to an increase in fuel and other revenue of \$0.5 million following favourable weather conditions and an increase in the commercial customer base. Land revenues are largely in line with prior year, with the land portfolio close to full occupancy. Berthing occupancies have increased from 83.5% to 84.2% compared to the prior year, with a slight decrease in average berthing rates.

Increased property costs for land tax and head lease rents offset the revenue increase above, resulting in EBITDA decreasing by \$0.3 million, or 2.7%.

The marina division strategy is focused on growing revenue by increasing occupancy at each of its marinas.

Bowling centres

The performance of bowling centres is summarised as follows:

| | 2014 | 2013 | Change |
|---|---------------|---------------|------------|
| | \$'000 | \$'000 | % |
| Total revenue | 113,889 | 115,230 | (1.2) |
| EBRITDA (excluding pre-opening expenses) | 38,907 | 36,381 | 6.9 |
| Operating margin | 34.2% | 31.6% | |
| Property costs (excluding straight-line rent) | (25,142) | (23,608) | 6.5 |
| EBITDA | 13,765 | 12,773 | 7.8 |

The division recorded total revenues of \$113.9 million, being a decrease of 1.2% compared to the prior year, with EBITDA growth of 7.8%. The performance of bowling centres is summarised as follows:

| | Revenue | Revenue | Change | EBRITDA | EBRITDA | Change |
|--|----------------|----------------|--------------|---------------|---------------|------------|
| | 2014 | 2013 | | 2014 | 2013 | |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Constant centres | 107,858 | 109,944 | (1.9) | 50,249 | 49,798 | 0.9 |
| Centres closed | 297 | 1,099 | (73.0) | 32 | 332 | (90.4) |
| New centres/acquisitions | 5,704 | 3,991 | 42.9 | 2,825 | 1,575 | 79.4 |
| Corporate and regional office expenses/sales and marketing | 30 | 196 | (84.7) | (14,199) | (15,324) | (7.3) |
| Total | 113,889 | 115,230 | (1.2) | 38,907 | 36,381 | 6.9 |

Constant revenue fell by 1.9% for the year but trends improved in the second half. Effective control over costs resulted in constant centre EBRITDA growing 0.9%.

A strategy of portfolio segmentation is underway to create stronger and separate identities in three key segments, being bowling, family entertainment and amusement games. The acquisition of City Amusements, an amusement game arcade in Sydney, supports this segmentation strategy. This acquisition has had a positive impact on earnings and is expected to deliver strong profits to the division in FY15. New centres in Darwin and Revesby are scheduled to open in FY15.

The business is undertaking a review of its food and beverage offering with new sites planned to incorporate contemporary offers to drive social traffic. Additional investment in technologies, including an improved online booking capability and planned refurbishments are expected to enhance customer satisfaction.

Strategic focus

Overall the Group benefits from the diversity of its five core operating divisions. Each of the divisions has a growth strategy for FY15 with a common theme of offering the customer high quality product, a consistently high level of customer service and value.

Future earnings growth will be driven by four key operational strategies:

| | |
|------------|---|
| Customer | Improved understanding of the customer by greater segmentation of customers by type, spending, usage and frequency patterns – enabling more relevant and more tailored product to meet customers' individual needs. |
| People | Enhanced customer service and customer satisfaction through "Noticeably better people and culture" by providing our staff with superior training, development, reward and recognition. |
| Volume | Driving increased volume through enhanced value by utilising unused capacity without impacting margin. |
| Efficiency | Driving greater operational and process efficiencies through leveraging group volume and greater investment in automated IT solutions for customers and staff. |

Refer to the attached Annual Financial Report for the Income Statement, Balance Sheet and Statement of Cash Flows.

Details of Distributions

The distribution of income for the financial year ended 30 June 2014 was 13.00 cents per stapled security. An interim distribution of 6.80 cents per stapled security was paid in February 2014. A final distribution for the period ended 30 June 2014 of 6.20 cents per stapled security will be paid in August 2014. A provision has not been recognised in the financial statements at 30 June 2014 as the distribution had not been declared at the reporting date.

Refer to the attached Annual Financial Report (Directors Report and Note 12: 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 2013 which was paid during the first half of the year. \$8.9 million of this distribution was reinvested in the Group.

The DRP was not in operation for the interim distribution for the half year ended 31 December 2013, however, it is in operation for the final distribution for the year ended 30 June 2014.

The last date for receipt of an election notice for participation in the DRP was 1 July 2014.

The DRP price per stapled security includes a discount of 2% to the volume weighted average market price of stapled securities traded on the ASX during the 10 business days from and including the ex-distribution date.

Statement of Retained Profits

Refer to the attached Annual Financial Report (Note 31: Retained profits/(accumulated losses)).

Net Tangible Assets

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per stapled security * | 75¢ | 73¢ |
| Net tangible asset backing per stapled security after distribution** | 69¢ | 68¢ |

* 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 (ie, all liabilities, preference shares, outside equity interests etc).

** The net tangible asset backing per stapled security would have been 69¢ (2013: \$0.68) for the Group if the distribution for the six months ended 30 June 2014 had been recognised in the financial statements.

Control gained or lost over entities during the period

| | |
|--|---|
| Name of entity (or group of entities) over which control was gained | Hypoxi Australia Pty Limited; and Hypoxi New Zealand Limited |
| Date control was gained | 31 March 2014 |
| Consolidated profit from ordinary activities and extraordinary items before tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired | \$0.2 million |
| Profit from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | \$1.1 million |
| Name of entity (or group of entities) over which control was lost | Dormant companies deregistered: <ul style="list-style-type: none"> • Bowling Centres Australia Catering Services Pty Limited • Ardent Boat Share Pty Limited • Ardent Boat Share Finance Limited • Ardent Boat Share Services Pty Limited • Tidebelt Pty Limited |

| | |
|--|---|
| Date control was lost | <ul style="list-style-type: none"> Bowling Centres Australia Catering Services Pty Limited 7 July 2013 Ardent Boat Share Pty Limited, Ardent Boat Share Finance Limited and Ardent Boat Share Services Pty Limited 11 August 2013 Tidebelt Pty Limited 19 September 2013 |
| Consolidated profit (loss) 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 | Nil |
| 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 | Nil |

Details of Associates and Joint Venture entities

N/A

Other significant information

N/A

Accounting standards used by foreign entities

N/A

Commentary on results

| | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| Earnings per stapled security | 12.13¢ | 9.32¢ |
| Adjusted earnings per stapled security | 14.40¢ | 13.14¢ |
| <p>Adjusted earnings per stapled security is calculated after adjusting for unrealised gains and losses on derivative financial instruments, property valuation gains/losses, straight-lining of fixed rent increases, amortisation of intangible assets, IFRS depreciation, pre-opening expenses, business acquisition costs, and other one off items.</p> <p>Earnings per stapled security have increased by 2.81 cents (30.2%) from the prior year.</p> <p>Adjusted earnings per stapled security have increased by 1.26 cents (9.6%) from the prior year.</p> | | |

Commentary on results (continued)

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| | A\$'000 | A\$'000 |
| Returns to stapled security holders: Distributions | \$52,657 | \$47,734 |
| Cash distributions per stapled security for the year ended 30 June 2014 were 13.00 cents per stapled security (2013: 12.00 cents). | | |
| The final distribution of \$27.5 million was not declared prior to 30 June 2014 (2013: \$21.5 million). | | |
| Significant features of operating performance: Refer explanation of results on pages 2-6 above. | | |
| Segment results: Refer to the attached Annual Financial Report (Note 37: Segment Reporting). | | |
| Performance Trends: Refer to Significant Features of Operating Performance above. | | |
| Other factors: Refer to Other Significant Information above. | | |

Audit

This report is based on accounts to which one of the following applies:

| | | | |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | The accounts have been audited. (refer attached financial statements) | <input type="checkbox"/> | The accounts have been subject to review. (refer attached financial statements) |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

Accounts not yet audited or reviewed

N/A

Audit Qualification

N/A



ARDENT
LEISURE

**Annual Financial Report
for the year ended 30 June 2014**

The financial report was authorised for issue by the Directors of Ardent Leisure Management Limited and Ardent Leisure Limited on 15 August 2014. The Directors have the power to amend and reissue the financial report.

Financial Report

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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 financial report of Ardent Leisure Group (Group or Consolidated Group) and the consolidated financial report of Ardent Leisure Limited Group (ALL Group) for the year ended 30 June 2014.

The financial report of the Group comprises of Ardent Leisure Trust (Trust) and its controlled entities including Ardent Leisure Limited (ALL or Company) and its controlled entities. The financial report of the ALL Group comprises of 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 (Chair);
Roger Davis;
Anne Keating;
Don Morris AO;
Greg Shaw;
Deborah Thomas (appointed 1 December 2013); and
George Venardos.

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

3. Distributions

The distribution of income for the year ended 30 June 2014 will be 13.0 cents (2013: 12.0 cents) per stapled security which will be paid by the Trust. An interim distribution of 6.8 cents (2013: 6.6 cents) per stapled security was paid in February 2014. A final distribution for the year ended 30 June 2014 of 6.2 cents (2013: 5.4 cents) per stapled security will be paid in August 2014. A provision has not been recognised in the financial statements at 30 June 2014 as this distribution had not been declared at the reporting date. During the year, a subsidiary of ALL paid to the Trust \$3.9 million (2013: \$3.6 million) relating to convertible notes which are classified as equity under Australian Accounting Standards. No dividend was recommended or paid by ALL in respect of the year ended 30 June 2014.

4. Operating and financial review

Overview

The Group's strategy is to focus primarily on domestic leisure segments with mass market appeal. The Group's operations are diversified through its five core operating divisions, being health clubs, family entertainment centres in the US, theme parks, marinas and bowling centres.

The Group's theme parks and marinas divisions occupy strategic positions within their respective markets while the other three divisions provide well established operating platforms with organic growth opportunities to roll out new sites or make "bolt-on" acquisitions as conditions permit.

During the year, the Group purchased two health clubs at Camberwell and Port Melbourne in Victoria for \$3.9 million and \$1.4 million respectively. It also acquired the Australian and New Zealand distribution rights for Hypoxi, a targeted weight loss solutions business for \$3.8 million. The Group also acquired an amusement arcade in central Sydney for \$2.9 million. Refer to Note 32 to the financial statements.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Group results

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

| | Segment revenues 2014 \$'000 | Segment revenues 2013 \$'000 | Segment EBITDA* 2014 \$'000 | Segment EBITDA* 2013 \$'000 |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Health clubs | 164,070 | 140,689 | 33,990 | 30,329 |
| Family entertainment centres | 98,121 | 72,695 | 24,714 | 17,541 |
| Theme parks | 100,139 | 97,086 | 32,799 | 30,450 |
| Marinas | 23,466 | 23,141 | 10,396 | 10,687 |
| Bowling centres | 113,889 | 115,230 | 13,765 | 12,773 |
| Other | 18 | 62 | (1) | (7) |
| Total | 499,703 | 448,903 | 115,663 | 101,773 |
| Depreciation and amortisation* | | | (27,148) | (22,644) |
| Divisional EBIT | | | 88,515 | 79,129 |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and intangible asset amortisation not included in divisional EBIT | | | (19,020) | (18,497) |
| Valuation gains - investment properties | | | - | 90 |
| Valuation gains - property, plant and equipment | | | 8,590 | - |
| Loss on closure of bowling centre | | | (1,579) | - |
| (Loss)/gain on disposal of assets | | | (453) | 313 |
| Gain on acquisition | | | - | 2,613 |
| Gain on sale and leaseback of family entertainment centre | | | 379 | - |
| Net (loss)/gain from derivative financial instruments | | | (613) | 602 |
| Interest income | | | 211 | 228 |
| Corporate costs | | | (12,545) | (11,192) |
| Business acquisition costs | | | (277) | (1,507) |
| Borrowing costs | | | (11,330) | (12,288) |
| Net tax expense | | | (2,876) | (3,874) |
| Profit | | | 49,002 | 35,617 |
| Core earnings (Note 11 to the financial statements) | | | 58,153 | 50,257 |

* Segment earnings before interest, tax, depreciation and amortisation (EBITDA) excludes pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and amortisation of intangible assets. 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 EBITDA, 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.

Profit for the year increased by \$13.4 million, or 37.6%, to \$49.0 million, mainly due to the following factors:

- Revenue from operating activities increased by \$50.8 million, or 11.3%, to \$499.7 million and divisional EBITDA increased by \$13.9 million, or 13.6%, to \$115.7 million. Further commentary on divisional results is set out separately below;
- There were \$8.6 million of valuation gains on property, plant and equipment in the current year compared to a \$0.1 million valuation gain on investment properties in the prior year; and
- Business acquisition costs of \$0.3 million were lower than the prior year costs of \$1.5 million.

This was partly offset by the following factors:

- There was a \$2.6 million gain on acquisition of health clubs in the prior year, with no gain in the current year;
- There was a net loss of \$0.6 million from derivative financial instruments in the current year compared to a net gain of \$0.6 million in the prior year;
- There was a loss on closure of a bowling centre in the current year of \$1.6 million; and
- Corporate costs increased by \$1.4 million to \$12.5 million.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Group results (continued)

The above factors also delivered an increase in core earnings of \$7.9 million, or 15.7%, to \$58.2 million. Core earnings (as defined in Note 11 to the financial statements) represents the earnings of the Group after adding back unrealised items (such as unrealised gains or losses on derivatives and unrealised valuation gains and losses on investment property and property, plant and equipment), straight lining of fixed rent increases, IFRS depreciation, amortisation of intangible assets and one off realised items.

Health clubs

The performance of health clubs is summarised as follows:

| | 2014 \$'000 | 2013 \$'000 | Change % |
|---|----------------|----------------|-------------|
| Total revenue | 164,070 | 140,689 | 16.6 |
| EBRITDA (excluding pre-opening expenses) | 70,249 | 60,032 | 17.0 |
| Operating margin | 42.8% | 42.7% | |
| Property costs (excluding straight-line rent) | (36,259) | (29,703) | 22.1 |
| EBITDA | 33,990 | 30,329 | 12.1 |

The division showed strong performance across its portfolio during the year, with an increase in revenues of 16.6% to \$164.1 million and growth in EBITDA of 12.1% to \$34.0 million. This was driven predominantly by acquisitions and developments, accompanied by improved constant club trading as set out below:

| | Revenue 2014 \$'000 | Revenue 2013 \$'000 | Change % | EBRITDA 2014 \$'000 | EBRITDA 2013 \$'000 | Change % |
|--|---------------------------|---------------------------|-------------|---------------------------|---------------------------|-------------|
| Constant clubs | 100,291 | 97,563 | 2.8 | 50,859 | 48,341 | 5.2 |
| Clubs closed | 1 | 615 | (99.8) | (11) | 98 | (111.2) |
| New clubs/acquisitions | 62,840 | 42,352 | 48.4 | 32,150 | 22,052 | 45.8 |
| Corporate and regional office expenses/sales and marketing | 938 | 159 | 489.9 | (12,749) | (10,459) | 21.9 |
| Total | 164,070 | 140,689 | 16.6 | 70,249 | 60,032 | 17.0 |

Health club acquisitions at Camberwell and Port Melbourne together with the acquisition of the Hypoxi business have contributed towards continued growth in the current year. The Fenix and Fitness First health clubs acquired in the prior year have contributed a full year's earnings in the current year, being acquired early in the second quarter of the prior financial year.

The impact of acquisitions has been supported by 5.2% EBRITDA growth in constant clubs, with increased penetration in the personal trainer model ensuring the operating margin was maintained at 42.8% for the year. Increased investment in remodelling clubs to increase training zones resulted in an immediate trading uplift with low capital investment. Further cost effective investment in club refits are expected to allow further member growth through increased personal training, small group training and new class offerings.

Increased portfolio scale is now delivering benefit through improved equipment purchasing and better procurement opportunities. Technology enhancements in the first half will enable fully digital member on-boarding and are expected to positively impact member yields, experience and engagement. Functional training refits are planned for 17 clubs in FY15.

Hypoxi will continue to be rolled out in selected clubs and this is expected to increase revenue streams with three new in-club Hypoxi studios planned to complement the existing five in-club studios.

The health club division strategy will be to continue to grow revenue and earnings through new developments, acquisitions and organic constant club growth.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Family entertainment centres

The performance of Main Event's family entertainment centres is summarised as follows:

| | 2014 US\$'000 | 2013 US\$'000 | Change % |
|---|------------------|------------------|-------------|
| Total revenue | 89,254 | 73,543 | 21.4 |
| EBRITDA (excluding pre-opening expenses) | 33,513 | 27,213 | 23.2 |
| Operating margin | 37.5% | 37.0% | |
| Property costs | (11,112) | (9,513) | 16.8 |
| EBITDA | 22,401 | 17,700 | 26.6 |

During the year, total US dollar revenue grew by 21.4%, driving EBITDA growth of 26.6%. This was due to new developments and growth in constant centre revenue and earnings, further analysis of which is set out below:

| | Revenue 2014 US\$'000 | Revenue 2013 US\$'000 | Change % | EBRITDA 2014 US\$'000 | EBRITDA 2013 US\$'000 | Change % |
|--|-----------------------------|-----------------------------|-------------|-----------------------------|-----------------------------|-------------|
| Constant centres | 70,148 | 67,149 | 4.5 | 31,828 | 29,031 | 9.6 |
| New centres | 19,106 | 6,394 | 198.8 | 8,467 | 2,759 | 206.9 |
| Corporate and regional office expenses/sales and marketing | - | - | - | (6,782) | (4,577) | 48.2 |
| Total | 89,254 | 73,543 | 21.4 | 33,513 | 27,213 | 23.2 |

Constant centre revenue grew by 4.5%, driven by increased guest spend from value-based promotions and growth in corporate, group and social league events. There have also been continued improvements in food and beverage offerings and amusement games. Continued focus on guest experiences have increased guest satisfaction results.

The newest centres in Katy, Stafford and Tempe continue to deliver revenue and earnings above the portfolio average. Further centres opened in Alpharetta, Georgia in late June 2014 and Pharr, Texas in early August, and five sites are currently under construction, with the division on track to achieve the target of 20 centres by the end of FY15. Negotiations are advanced for seven new sites in FY16 and preliminary investigations are also underway on eight new sites in FY17.

The family entertainment centres division strategy will be to continue to grow revenue and earnings through new centre developments and constant centre growth.

Theme parks

The performance of the theme parks is summarised as follows:

| | 2014 \$'000 | 2013 \$'000 | Change % |
|-----------------------|----------------|----------------|-------------|
| Total revenue | 100,139 | 97,086 | 3.1 |
| EBRITDA | 33,867 | 32,211 | 5.1 |
| Operating margin | 33.8% | 33.2% | |
| Property costs | (1,068) | (1,761) | (39.4) |
| EBITDA | 32,799 | 30,450 | 7.7 |
| Attendance | 2,042,164 | 1,874,951 | 8.9 |
| Per capita spend (\$) | 49.04 | 51.78 | (5.3) |

Directors' report to stapled security holders

4. Operating and financial review (continued)

Theme parks (continued)

Revenue growth of 3.1% in the year was driven by the Theme Park Capital campaign creating strong brand awareness in interstate and NZ markets and supported the Happiness brand campaign, delivering 7.8% growth in the second half. There is a continued shift to online and digital sales channels while maintaining focus on trade and industry relationships. Online sales now represent over 30% of total revenue.

Dreamworld Corroboree furthered appeal in the group, education and international markets and provides a unique point of difference, which won the Queensland Premier's award for Reconciliation initiatives. Dreamworld Corroboree is an interactive walk-through experience celebrating Aboriginal and Torres Strait Islander culture, wildlife and stories. It has one of the largest native wildlife parks in South East Queensland with hundreds of native animals including the second largest koala population and the only non-government Queensland Bilby breeding program in the world

SkyPoint continued to perform well, with increased attendances boosted by inclusion in the Unlimited Worldpass offer and growth in events and climb revenue.

Earnings continued to grow in the current year with a 7.7% lift in EBITDA, resulting from the flow through of increased revenue and operating margin improvements from efficiencies in energy and water usage.

A new Tailspin thrill ride and Triple Vortex waterslide are expected to be ready for the September school holiday period. The implementation of a new food and beverage strategy, including three new outlets, in the first half of FY15 is expected to fundamentally change the theme park product offering and encourage repeat visitation.

The division's continued investment in digital, social and e-commerce platforms and direct sales strategy will cost effectively target new business and assist in improving yield.

The strategy of the theme park division is to grow revenue and earnings by continuing to invest in unique products and by providing value and a great experience to its customers.

Marinas

The performance of marinas is summarised as follows:

| | 2014 | 2013 | Change |
|------------------|---------------|---------------|--------------|
| | \$'000 | \$'000 | % |
| Total revenue | 23,466 | 23,141 | 1.4 |
| EBITDA | 12,944 | 13,034 | (0.7) |
| Operating margin | 55.2% | 56.3% | |
| Property costs | (2,548) | (2,347) | 8.6 |
| EBITDA | 10,396 | 10,687 | (2.7) |

Revenue from marinas grew by 1.4%, to \$23.5 million, although EBITDA fell slightly by 2.7% to \$10.4 million. Marina revenue principally comprises the following:

| | 2014 | 2013 | Change |
|----------------|---------------|---------------|------------|
| | \$'000 | \$'000 | % |
| Berthing | 12,812 | 12,891 | (0.6) |
| Land | 5,375 | 5,459 | (1.5) |
| Fuel and other | 5,279 | 4,791 | 10.2 |
| Total | 23,466 | 23,141 | 1.4 |

Revenues increased by \$0.3 million, or 1.4%, due to an increase in fuel and other revenue of \$0.5 million following favourable weather conditions and an increase in the commercial customer base. Land revenues are largely in line with prior year, with the land portfolio close to full occupancy. Berthing occupancies have increased from 83.5% to 84.2% compared to the prior year, with a slight decrease in average berthing rates.

Increased property costs for land tax and head lease rents offset the revenue increase above, resulting in EBITDA decreasing by \$0.3 million, or 2.7%.

The marina division strategy is focused on growing revenue by increasing occupancy at each of its marinas.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Bowling centres

The performance of bowling centres is summarised as follows:

| | 2014 \$'000 | 2013 \$'000 | Change % |
|---|----------------|----------------|-------------|
| Total revenue | 113,889 | 115,230 | (1.2) |
| EBRITDA (excluding pre-opening expenses) | 38,907 | 36,381 | 6.9 |
| Operating margin | 34.2% | 31.6% | |
| Property costs (excluding straight-line rent) | (25,142) | (23,608) | 6.5 |
| EBITDA | 13,765 | 12,773 | 7.8 |

The division recorded total revenues of \$113.9 million, being a decrease of 1.2% compared to the prior year, with EBITDA growth of 7.8%. The performance of bowling centres is summarised as follows:

| | Revenue 2014 \$'000 | Revenue 2013 \$'000 | Change % | EBRITDA 2014 \$'000 | EBRITDA 2013 \$'000 | Change % |
|--|---------------------------|---------------------------|--------------|---------------------------|---------------------------|-------------|
| Constant centres | 107,858 | 109,944 | (1.9) | 50,249 | 49,798 | 0.9 |
| Centres closed | 297 | 1,099 | (73.0) | 32 | 332 | (90.4) |
| New centres/acquisitions | 5,704 | 3,991 | 42.9 | 2,825 | 1,575 | 79.4 |
| Corporate and regional office expenses/sales and marketing | 30 | 196 | (84.7) | (14,199) | (15,324) | (7.3) |
| Total | 113,889 | 115,230 | (1.2) | 38,907 | 36,381 | 6.9 |

Constant revenue fell by 1.9% for the year but trends improved in the second half. Effective control over costs resulted in constant centre EBRITDA growing 0.9%.

A strategy of portfolio segmentation is underway to create stronger and separate identities in three key segments, being bowling, family entertainment and amusement games. The acquisition of City Amusements, an amusement game arcade in Sydney, supports this segmentation strategy. This acquisition has had a positive impact on earnings and is expected to deliver strong profits to the division in FY15. New centres in Darwin and Revesby are scheduled to open in FY15.

The business is undertaking a review of its food and beverage offering with new sites planned to incorporate contemporary offers to drive social traffic. Additional investment in technologies, including an improved online booking capability, and planned refurbishments are expected to enhance customer satisfaction.

Strategic focus

Overall, the Group benefits from the diversity of its five core operating divisions. Each of the divisions has a growth strategy for FY15 with a common theme of offering the customer high quality product, a consistently high level of customer service and value.

Future earnings growth will be driven by four key operational strategies:

| | |
|------------|---|
| Customer | Improved understanding of the customer by greater segmentation of customers by type, spending, usage and frequency patterns – enabling more relevant and more tailored product to meet customers' individual needs. |
| People | Enhanced customer service and customer satisfaction through "Noticeably better people and culture" by providing our staff with superior training, development, reward and recognition. |
| Volume | Driving increased volume through enhanced value by utilising unused capacity without impacting margin. |
| Efficiency | Driving greater operational and process efficiencies through leveraging group volume and greater investment in automated IT solutions for customers and staff. |

5. Significant changes in the state of affairs

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

Directors' report to stapled security holders

6. Value of assets

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|----------------------------|---|---|-----------------------------|-----------------------------|
| Value of total assets | 853,007 | 799,742 | 366,403 | 323,793 |
| Value of net assets | 505,502 | 487,290 | 84,476 | 82,148 |

The value of the Group's and the ALL Group's assets is derived using the basis set out in Note 1 to the financial statements.

7. Interests in the Group

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

| | Consolidated Group 2014 | Consolidated Group 2013 |
|---|-------------------------------|-------------------------------|
| Stapled securities on issue at the beginning of the year | 397,803,987 | 334,209,401 |
| Stapled securities issued under Distribution Reinvestment Plan | 5,295,345 | 5,647,860 |
| Stapled securities issued for business acquisitions | - | 39,062,500 |
| Stapled securities issued for Security Purchase Plan | - | 17,363,566 |
| Stapled securities issued as part of ALL's employee security-based payments plans | 1,956,376 | 1,520,660 |
| Stapled securities on issue at the end of the year | 405,055,708 | 397,803,987 |

8. Information on current Directors

Neil Balnaves AO
Chair

Appointed:

Ardent Leisure Management Limited – 26 October 2001.
Ardent Leisure Limited – 28 April 2003.

Age: 70.

Neil Balnaves was appointed as Chair of the Group in 2001. Neil has worked in the entertainment and media industries for over 50 years, previously holding the position of Executive Chairman of Southern Star Group Limited which he founded. Neil is a Trustee Member of Bond University and has an Honorary Degree of Doctor of the University. Neil is a Director of the Sydney Orthopaedic Research Institute and a member of the Advisory Council and Dean's Circle of The University of New South Wales (Faculty of Medicine) and in 2010 received an Honorary Doctorate of the University.

Neil is a Board member of the Art Gallery of South Australia, is a Director of Technicolor Australia Limited and serves on the boards of numerous advisory and community organisations and is a Foundation Fellow of the Australian Institute of Company Directors. Neil's former directorships include Hanna-Barbera Australia, Reed Consolidated Industries, Hamlyn Group, Taft Hardie and Southern Cross Broadcasting.

In 2006, Neil established The Balnaves Foundation, a philanthropic fund that focuses on education, medicine and the arts. In 2010, Neil was appointed an Officer of the Order of Australia for his services to business and philanthropy.

Neil is non-executive Chair of the Group and a member of both the Remuneration and Nomination Committee and the Audit and Risk Committee.

Former listed directorships in last three years:

None.

Interest in stapled securities:

2,439,062.

Directors' report to stapled security holders

8. Information on current Directors (continued)

Roger Davis

Director

Appointed:

Ardent Leisure Management Limited – 1 September 2009.

Ardent Leisure Limited – 28 May 2008.

Age: 62.

Roger Davis was appointed a Director of the Company in 2008. Roger brings to the Board over 34 years of experience in banking and investment banking in Australia, the US and Japan. Roger is presently Chairman of the Bank of Queensland and a Consulting Director at Rothschild (Australia) Limited and holds non-executive directorships at Argo Investments Limited, Aristocrat Leisure Limited and AIG Australia Limited. Previously, he was Managing Director at Citigroup where he worked for over 20 years and more recently was a Group Managing Director at ANZ Banking Group.

Roger's former directorships include the chairmanship of Esanda, along with directorships of ANZ (New Zealand) Limited, Charter Hall Office Management Limited (the manager for Charter Hall Office REIT), The Trust Company Limited, TIO Limited and Citicorp Securities Inc. in the United States.

Roger holds a BEc (Hons) from The University of Sydney and a Master of Philosophy from Oxford.

Roger is Chair of the Safety, Sustainability and Environment Committee and is a member of both the Remuneration and Nomination Committee and the Audit and Risk Committee.

Former listed directorships in last three years:

Charter Hall Office Management Limited (resigned 30 April 2012); and

The Trust Company Limited (resigned 30 November 2013).

Interest in stapled securities:

150,275.

Anne Keating

Director

Appointed:

Ardent Leisure Management Limited – 30 March 1998.

Ardent Leisure Limited – 28 April 2003.

Age: 60.

Anne Keating was appointed a Director of Ardent Leisure Management Limited in 1998. Anne is currently a Director of REVA Medical Inc., Goodman Group Limited and GI Dynamics, Inc. and is a member of the Advisory Council of CIMB Australia. Anne is also a Director of the Garvan Institute of Medical Research and a Governor of the Cerebral Palsy Alliance Research Foundation.

Anne's former directorships include ClearView Wealth Limited, STW Communications Group Limited, Insurance Australia Group Limited, NRMA, the WorkCover Authority of NSW, the Tourism Task Force (now known as the Tourism & Transport Forum), Spencer Street Station Redevelopment Holdings Limited and the Victor Chang Cardiac Research Institute. Anne was the General Manager of Australia for United Airlines from 1993 to 2001.

Anne is the Chair of the Group's Remuneration and Nomination Committee and is also a member of the Audit and Risk Committee.

Former listed directorships in last three years:

ClearView Wealth Limited (resigned 23 October 2012).

Interest in stapled securities:

74,461.

Directors' report to stapled security holders

8. Information on current Directors (continued)

Don Morris AO

Director

Appointed:

Ardent Leisure Management Limited – 1 January 2012.

Ardent Leisure Limited – 1 January 2012.

Age: 69.

Don Morris was appointed a Director of both the Company and the Manager in January 2012 and brings to the Board significant experience of advertising, marketing and promotion, particularly for tourism entities.

Don was a founding principal of Mojo Australia Advertising, creators of several iconic Australian advertising campaigns, including 'Still Call Australia Home' for Qantas, the Paul Hogan 'Shrimp on the Barbie' for Australian tourism and 'C'mon Aussie C'mon' for World Series Cricket.

Don was the former Chair of the Sydney Olympics Community Support Commission and both the Australian Tourist Commission and Tourism Queensland. He is a former director of Mojo MDA Group Limited, R M Williams Limited, Harvey World Travel Limited, PMP Limited, the Tourism & Transport Forum, Tourism Asset Holdings Limited, Hamilton Island Enterprises Limited and Port Douglas Reef Resorts Limited.

Don was appointed an Officer of the Order of Australia in 2002 for services to tourism and holds a Bachelor of Economics from Monash University.

Don's current directorships include Ausflag Limited and The Sport and Tourism Youth Foundation.

He was appointed an Adjunct Professor in Tourism, Sport, and Hotel Management at Griffith University in 2012.

In 2013, he received an Honorary Degree of Doctor of the University, and was appointed Chair of the Advisory Board of the Griffith Institute for Tourism (GIFT).

Don is a member of the Remuneration and Nomination Committee.

Former listed directorships in the last three years:

None.

Interest in stapled securities:

Nil.

Greg Shaw

Managing Director and Chief Executive Officer

Appointed:

Ardent Leisure Management Limited – 22 September 2009.

Ardent Leisure Limited – 22 September 2009.

Age: 54.

Greg Shaw was appointed a Director of both the Company and the Manager in September 2009 following the completion of the internalisation project. Greg is the Managing Director and Chief Executive Officer of the Group and was appointed to this role in 2002.

Prior to joining the Group, Greg was the Managing Director of Port Douglas Reef Resorts Limited, a major resort owner and property development group. In this role, Greg was awarded the Australian Chartered Accountant in Business Award for a \$6 million profit turnaround in two years. Greg qualified as a Chartered Accountant in 1983.

Greg is a member of the Safety, Sustainability and Environment Committee.

Former listed directorships in last three years:

None.

Interest in stapled securities:

1,545,950.

Directors' report to stapled security holders

8. Information on current Directors (continued)

Deborah Thomas

Director

Appointed:

Ardent Leisure Management Limited – 1 December 2013.

Ardent Leisure Limited – 1 December 2013.

Age: 58.

Deborah Thomas was appointed a Director of both the Company and the Manager in December 2013. One of Australia's most successful and respected publishing executives, Deborah brings to the Board over 27 years of experience in the media across print, television, radio, online, mobile and social. She has a deep understanding of advertising, marketing, PR, promotions and communications.

Deborah is a former Editor-in-Chief of one of Australia's biggest selling magazines, The Australian Women's Weekly, a position she held for almost a decade. During the course of her career, she edited and managed some of Australia's most popular women's magazines before moving to a corporate role within ACP Magazines, now Bauer Media.

Currently Director of Media, Public Affairs and Brand Development across Bauer Media's portfolio of 60-plus titles and magazine websites, Deborah is responsible for media, corporate marketing, PR, public affairs, sponsorships and events, plus the development of new revenue streams. These initiatives include licensed products for major magazine brands in partnership with leading retail chains across Australia and New Zealand. Deborah is also responsible for the company's licensed international titles and is a Director on the Board of Post ACP, the company's joint venture between Bauer Media and the Bangkok Post (Thailand).

Deborah is Deputy Chair of the National Library of Australia, a Director of the Royal Hospital for Women Foundation, and a Director of Father Chris Riley's Youth Off The Streets. She is a founding patron of the Taronga Conservation Foundation.

In 2012, Deborah was elected to local government as a Councillor for Woollahra.

Deborah is a member of the Remuneration and Nomination Committee.

Former listed directorships in the last three years:

None.

Interest in stapled securities:

6,000.

Directors' report to stapled security holders

8. Information on current Directors (continued)

George Venardos
Director

Appointed:

Ardent Leisure Management Limited – 22 September 2009.

Ardent Leisure Limited – 22 September 2009.

Age: 56.

George Venardos was appointed a Director of both the Company and the Manager in September 2009. George is a Chartered Accountant with more than 32 years' experience in finance, accounting, insurance and funds management.

His former positions include Group Chief Financial Officer of Insurance Australia Group and, for 10 years, Chairman of the Finance and Accounting Committee of the Insurance Council of Australia. George also held the position of Finance Director of Legal & General Group in Australia and was named Insto Magazine's CFO of the Year for 2003.

George holds a Bachelor of Commerce in Accounting, Finance and Systems from The University of New South Wales. He is also a Fellow of The Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and the Taxation Institute of Australia. He holds a Diploma in Corporate Management and is a Fellow of the Governance Institute of Australia.

George's other ASX listed non-executive director positions include IOOF Holdings Limited and BluGlass Limited.

George is Chair of the Audit and Risk Committee and is also a member of both the Safety, Sustainability and Environment Committee and the Remuneration and Nomination Committee.

Former listed directorships in the last three years:

Miclyn Express Offshore Limited (resigned 21 June 2013).

Interest in stapled securities:

112,636.

9. Meetings of Directors

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

| | Full meetings of Directors | | Meetings of Committees | | | | | |
|------------------|----------------------------|----------|------------------------|----------|-----------------------------|----------|--|----------|
| | | | Audit and Risk | | Remuneration and Nomination | | Safety, Sustainability and Environment | |
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Neil Balnaves AO | 7 | 6 | 4 | 3 | 4 | 4 | N/A | N/A |
| Roger Davis | 7 | 6 | 4 | 3 | 4 | 3 | 4 | 4 |
| Anne Keating | 7 | 6 | 4 | 4 | 4 | 4 | N/A | N/A |
| Don Morris AO | 7 | 7 | 2 | 2 | 4 | 4 | N/A | N/A |
| Greg Shaw | 7 | 7 | N/A | N/A | N/A | N/A | 4 | 4 |
| Deborah Thomas | 4 | 4 | N/A | N/A | 3 | 3 | N/A | N/A |
| George Venardos | 7 | 6 | 4 | 4 | 4 | 4 | 4 | 4 |

10. Company Secretary

The Group's Company Secretary is Alan Shedden. Alan was appointed to the position of Secretary of the Manager and ALL on 9 September 2009.

Alan has over 16 years of experience as a Company Secretary and, prior to joining the Group, held positions at Brookfield Multiplex Limited and Orange S.A., the mobile telecommunications subsidiary of France Telecom S.A. Alan holds a degree in business studies and is a Fellow of the Institute of Chartered Secretaries and Administrators.

Directors' report to stapled security holders

11. Remuneration report

The Manager and the Directors of ALL present the remuneration report for the Group for the year ended 30 June 2014.

The remuneration report is set out under the following main headings:

- (a) Key remuneration objectives;
- (b) Remuneration framework and strategy;
- (c) Details of remuneration – key management personnel;
- (d) Service agreements of key management personnel;
- (e) Deferred Short Term Incentive Plan (DSTI);
- (f) Long Term Incentive Plan (LTIP); and
- (g) Additional information.

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

(a) Key remuneration objectives

The objective of the Group's executive framework is to attract and retain high quality executives by ensuring that executive remuneration is competitive with prevailing employment market conditions and also providing sufficient motivation by ensuring that remuneration is aligned to the Group's results.

In August 2013, the Board commissioned an independent remuneration review by Aon Hewitt which benchmarked the remuneration packages and structure of the Chief Executive Officer and the Chief Financial Officer. Following the presentation of this review, the Board resolved that the remuneration packages for the Chief Executive Officer and Chief Financial Officer would remain unchanged for the 2014 financial year.

The Remuneration and Nomination Committee also requested further advice on current market practice and the broad structure of the Group's remuneration framework. In February 2014, upon the Committee's recommendation, the Board adopted a revised remuneration structure for the Chief Executive Officer and other executive key management personnel (KMP), which took effect from 1 July 2014. The revised remuneration structure aims to provide consistency of reward structure across the Group's KMP and also re-weight the long term proportions of remuneration considered "at risk".

Although these reports did not constitute "remuneration recommendations" under the Corporations Act 2001, as a matter of good governance they were prepared independently and presented directly to the Remuneration and Nomination Committee. As a result, the Directors are satisfied that the reports were prepared in a manner free from undue influence by the Group's KMP.

Throughout this process, the Remuneration and Nomination Committee has sought to maintain the alignment of key executives with investors through the adoption of a total shareholder return performance measure and the introduction of a second performance measure for the LTIP based upon an internal compound earnings per security (EPS) growth target. This dual performance measure is designed to drive sustainable growth and provide meaningful security holdings for executive KMP and thus extend the Group's long term approach to executive remuneration.

The components of the remuneration package of the Chief Executive Officer and other executive KMP for the financial year are set out in the table below:

| Position | Name | Annual base salary | ST ¹ | | LTIP ¹ | Total annual target remuneration |
|-------------------------|-----------------------------|--------------------|-----------------|-----------------|-------------------|----------------------------------|
| | | | Cash | Deferred equity | | |
| Chief Executive Officer | Greg Shaw | \$751,305 | 50% | 25% | 37.50% | \$1,596,523 |
| Chief Financial Officer | Richard Johnson | \$401,305 | 50% | 25% | 37.50% | \$852,773 |
| CEO – Bowling centres | Nicole Noye ² | \$360,000 | 35% | 35% | 15.00% | \$666,000 |
| CEO – Health clubs | Greg Oliver | \$420,000 | 35% | 35% | 12.50% | \$766,500 |
| CEO – Main Event | Charlie Keegan | US\$360,000 | 35% | 35% | 10.00% | US\$648,000 |
| CEO – Theme parks | Craig Davidson ³ | \$325,000 | 30% | 30% | 12.50% | \$593,125 |

(1) Target STI and LTIP remuneration components are expressed as percentages of the annual base salary.

(2) Appointed 16 June 2014.

(3) Appointed 2 September 2013.

The Board has approved an increase in target LTIP for Greg Shaw to 40% of base salary to take effect in the 2015 financial year. It should be noted that the base salary is considered secure and the STI and LTIP figures set out above are considered "at risk" and will only be paid if performance targets have been achieved.

Directors' report to stapled security holders

11. Remuneration report (continued)

(b) Remuneration framework and strategy

The Group's remuneration framework seeks to align executive reward with the achievement of strategic objectives and in particular, the creation of sustainable value and earnings growth for investors. In addition, the Board seeks to have reference to market best practice to ensure that executive remuneration remains competitive, fair and reasonable.

(i) Non-Executive Directors

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

Non-Executive Directors are paid solely by the way of directors' fees and do not participate in any equity or short term cash-based incentives schemes. Non-Executive Directors bring a depth of experience and knowledge to their roles and are a key component in the effective operation of the Board. The maximum aggregate of directors' fees payable to Directors of the Group is set out in clause 16.1 of the Constitution of Ardent Leisure Limited. The maximum total aggregate level of directors' fees payable by the Group is \$940,000 per annum and was set by investors at the 27 October 2011 general meeting.

In 2009, the Board approved a simplified structure for calculating directors' fees. The simplified fee structure takes into account individual Directors' duties and service and was applied from 1 September 2009.

In order to ensure that non-executive director fees remain appropriate, the Board reviewed the fee structure and, in December 2013, adopted minor changes to take effect from 1 January 2014. The new fee structure, which remains within the constitutional cap of \$940,000 per annum (inclusive of superannuation), is as follows:

| Position | Current annual fee | Previous annual fee |
|----------------------------------|--------------------|---------------------|
| Board Chair | \$205,000 | \$175,000 |
| Other Non-Executive Director | \$120,000 | \$110,000 |
| Audit and Risk Committee - Chair | \$20,000 | \$20,000 |
| - Member | \$15,000 | \$15,000 |
| Other Committee - Chair | \$12,500 | \$7,500 |
| Other Committee - Member | \$7,500 | \$7,500 |

(ii) Executive pay

The executive pay and reward framework has three components:

- base pay and benefits;
- performance incentives; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

| Base pay | Performance incentives | |
|--|---|---|
| | Cash | Equity |
| A total employment cost which can be made up of a mix of cash salary, employer superannuation contributions and non-financial benefits such as provision of a motor vehicle. | The STI is a performance bonus set against pre-determined financial and personal key performance indicators. The STI paid is split into a cash bonus payment and a deferred equity component. The equity based deferral of a component of the STI awarded is deferred over a period of one and two years. | Equity incentives that vest in three tranches over a four year testing period and aligned to both targeted compound earnings per share growth and total shareholder return. |
| SECURE | AT RISK | AT RISK |

Base pay

Base pay includes salary, employer superannuation contributions and non-cash benefits such as provision of a motor vehicle. Base pay is reviewed annually to ensure that executive pay is competitive with the market. There are no guaranteed base pay increases in the contracts. Base pay is also reviewed on promotion.

Directors' report to stapled security holders

11. Remuneration report (continued)

(b) Remuneration framework and strategy (continued)

(iii) Executive pay (continued)

Performance incentives

Performance incentives may be granted under the terms of both the STI and LTIP plans.

The relative proportions of fixed remuneration and performance incentives for executives KMP are set out below:

| Position | Name | Base salary | STI | | LTIP |
|-------------------------|------------------|-------------|-------|-----------------|-------|
| | | | Cash | Deferred equity | |
| Chief Executive Officer | Greg Shaw | 47.1% | 23.5% | 11.8% | 17.6% |
| Chief Financial Officer | Richard Johnson | 47.1% | 23.5% | 11.8% | 17.6% |
| CEO – Bowling centres | Nicole Noye* | 54.1% | 18.9% | 18.9% | 8.1% |
| CEO – Health clubs | Greg Oliver | 54.8% | 19.2% | 19.2% | 6.8% |
| CEO – Main Event | Charlie Keegan | 55.6% | 19.4% | 19.4% | 5.6% |
| CEO – Theme parks | Craig Davidson** | 54.8% | 19.2% | 19.2% | 6.8% |

* Appointed 16 June 2014.

** Appointed 2 September 2013.

It should be noted that none of the Non-Executive Directors participates in the Group's performance incentive plans.

STI

Cash

The STI or bonus program is designed to reward executives for achievement of a number of key performance indicators (KPIs). These KPIs are split into financial and personal categories, with the financial measures based around earnings and revenue targets representing between 40% and 60% of an executive's STI entitlement and personal measures representing the remainder. The percentage split between financial and personal measures varies between executives depending upon the outcomes and behaviours being driven.

For executives who act in Group-wide roles, the financial KPIs are based on Group earnings and revenue related measures. In contrast, divisional earnings and revenue measures are used for those executives who occupy divisional roles.

Personal KPIs for executives are not financial in nature and are set around execution of improvements and initiatives in such functions as risk management, compliance, relationship management, customer satisfaction, employee engagement and other strategic initiatives. Hypothetical examples of personal KPIs which may be used are set out in the table below:

| | |
|------------|--|
| Customer | Increase customer segmentation analytics and implement timely and automated customer feedback. |
| People | Undertake staff climate and pulse surveys to identify areas for improvement and build cultural alignment across the business with the Group's core values. |
| Volume | Develop and execute business strategies to increase customer visitation during off-peak periods. |
| Efficiency | Execute on agreed opportunities to improve the Group's digital IT capacity to realise operational efficiencies. |

The extent to which an executive achieves their personal and financial KPIs is assessed by the Remuneration and Nomination Committee based upon recommendations from the Chief Executive Officer. The resulting cash bonuses are traditionally payable in cash by 30 September each year. Using a combination of revenue and earnings targets ensures that STI payments are only available when sustainable value has been created for investors and profit is consistent with the Group's business plan.

Maximum achievable awards to KMP under the STI range between 60% and 75% of an executive's base salary (including superannuation) dependent upon the executive's position.

Directors' report to stapled security holders

11. Remuneration report (continued)

(b) Remuneration framework and strategy (continued)

(ii) Executive pay (continued)

STI (continued)

Deferred equity

A percentage of the actual STI paid to an executive may be deferred and settled in performance rights to acquire fully paid Group stapled securities for \$nil exercise price. These performance rights are issued under the terms of the Group's Deferred Short Term Incentive plan rules and vest in two equal tranches in 12 months and 24 months.

LTIP

The LTIP awards performance rights ranging between 10% and 37.5% of an executive's base salary (including superannuation) dependent upon the executive's role. Further details of the LTIP are set out in section (f) below.

(iii) Alignment with investor interests

The Directors are committed to the alignment of executives' remuneration with investors' interests and seek to achieve this through the most appropriate mix of base pay and short and long term incentives.

In the 2014 financial year, KMP KPIs were set to drive divisional and Group earnings, with targets set within the Group's budgetary framework. In this way, the KPIs used to determine performance under the STI are used to align KMP remuneration with sustainable earnings growth and other operational long term goals. The deferral of a component of the STI into equity acts as a two year retention tool to ensure that earnings targets are not achieved at the expense of long term profitability and growth.

The LTIP further aligns executives' remuneration with long term investor returns through the total shareholder return performance hurdle. From 1 July 2014, the LTIP will also be subject to a dual measure by including an internal EPS measure. In this way, the LTIP provides a direct link between executive reward and investor return and offers no benefit to individual executives unless the Group's performance exceeds the 50th percentile of the benchmark Australian Securities Exchange (ASX) Small Industrials Index and a minimum compound EPS growth in the performance period.

(c) Details of remuneration – key management personnel

KMP are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the Group. For the year ended 30 June 2014, the KMP for the Group comprise the Independent Directors and the following:

| Position | Name |
|-------------------------|---|
| Chief Executive Officer | Greg Shaw |
| Chief Financial Officer | Richard Johnson |
| CEO – Bowling centres | Lee Chadwick (resigned 16 June 2014) |
| | Nicole Noye (appointed 16 June 2014) |
| CEO – Theme parks | Todd Coates (resigned 31 July 2013) |
| | Craig Davidson (appointed 2 September 2013) |
| CEO – Main Event | Charlie Keegan |
| CEO – Health clubs | Greg Oliver |

Details of the remuneration of KMP of the Group for 2014 and 2013 are set out in the tables on the following pages. The tables set out the total cash benefits paid to the KMP in the relevant period and, under the heading "Security-based payments", shows a component of the fair value of the performance rights. The fair value of the performance rights is recognised over the vesting period as an employee benefit expense. Further details of the fair value calculations are set out in sections (e) and (f) below.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Details of remuneration – key management personnel (continued)

| | | Short term benefits | | | Post-employment benefits | | Other long term benefits | | Total cash payment | Security-based payments | Total | Security-based payment % of total |
|---------------------------------------|------|---------------------|------------|--------------|--------------------------|------------|--------------------------|-------------|--------------------|-------------------------|-----------|-----------------------------------|
| | | Salary | Cash bonus | Annual leave | Super-annuation | Retirement | Other | Termination | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Independent Directors | | | | | | | | | | | | |
| Neil Balnaves AO | 2014 | 195,459 | - | - | 17,268 | - | - | - | 212,727 | - | 212,727 | - |
| Chair | 2013 | 181,098 | - | - | 16,402 | - | - | - | 197,500 | - | 197,500 | - |
| Roger Davis | 2014 | 135,158 | - | - | 12,502 | - | - | - | 147,660 | - | 147,660 | - |
| | 2013 | 128,440 | - | - | 11,560 | - | - | - | 140,000 | - | 140,000 | - |
| Anne Keating | 2014 | 128,287 | - | - | 11,867 | - | - | - | 140,154 | - | 140,154 | - |
| | 2013 | 121,560 | - | - | 10,940 | - | - | - | 132,500 | - | 132,500 | - |
| Don Morris AO | 2014 | 119,132 | - | - | 11,020 | - | - | - | 130,152 | - | 130,152 | - |
| | 2013 | 121,560 | - | - | 10,940 | - | - | - | 132,500 | - | 132,500 | - |
| Deborah Thomas (Note 1) | 2014 | 67,353 | - | - | 6,230 | - | - | - | 73,583 | - | 73,583 | - |
| | 2013 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| George Venardos | 2014 | 137,452 | - | - | 12,714 | - | - | - | 150,166 | - | 150,166 | - |
| | 2013 | 133,027 | - | - | 11,973 | - | - | - | 145,000 | - | 145,000 | - |
| Executive Director | | | | | | | | | | | | |
| Greg Shaw | 2014 | 677,105 | 334,500 | 56,425 | 17,775 | - | - | - | 1,085,805 | 452,810 | 1,538,615 | 29.43% |
| Chief Executive Officer | 2013 | 677,105 | 281,250 | 56,425 | 16,470 | - | - | - | 1,031,250 | 469,616 | 1,500,866 | 31.29% |
| Other key management personnel | | | | | | | | | | | | |
| <i>Current</i> | | | | | | | | | | | | |
| Craig Davidson (Note 2) | 2014 | 236,327 | - | 19,694 | 15,699 | - | - | - | 271,720 | - | 271,720 | - |
| CEO – Theme parks | 2013 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Richard Johnson | 2014 | 354,028 | 184,000 | 29,502 | 17,775 | - | - | - | 585,305 | 244,915 | 830,220 | 29.50% |
| Chief Financial Officer | 2013 | 354,028 | 160,000 | 29,502 | 16,470 | - | - | - | 560,000 | 254,042 | 814,042 | 31.21% |
| Charlie Keegan | 2014 | 364,669 | 122,331 | 30,389 | - | - | - | - | 517,389 | 373,768 | 891,157 | 41.94% |
| CEO – Main Event | 2013 | 293,945 | 97,737 | 24,495 | - | - | - | - | 416,177 | 290,982 | 707,159 | 41.15% |
| Nicole Noye (Note 3) | 2014 | 13,788 | - | 1,149 | 1,382 | - | - | - | 16,319 | - | 16,319 | - |
| CEO – Bowling centres | 2013 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Greg Oliver | 2014 | 371,285 | 119,310 | 30,940 | 17,775 | - | - | - | 539,310 | 161,725 | 701,035 | 23.07% |
| CEO – Health clubs | 2013 | 358,122 | 99,360 | 29,844 | 16,470 | - | 5,564 | - | 509,360 | 139,044 | 648,404 | 21.44% |
| <i>Past</i> | | | | | | | | | | | | |
| Lee Chadwick (Note 4) | 2014 | 316,532 | 49,333 | 26,378 | 17,775 | - | - | - | 410,018 | - | 410,018 | - |
| Ex CEO – Bowling Centres | 2013 | 247,483 | 40,192 | 20,624 | 14,084 | - | - | - | 322,383 | - | 322,383 | - |
| Todd Coates (Note 5) | 2014 | 31,820 | - | 2,652 | 2,452 | - | - | - | 36,924 | (38,285) | (1,361) | - |
| Ex CEO – Theme parks | 2013 | 307,874 | 12,500 | 25,656 | 16,470 | - | - | - | 362,500 | - | 362,500 | - |
| | 2014 | 3,148,395 | 809,474 | 197,129 | 162,234 | - | - | - | 4,317,232 | 1,194,933 | 5,512,165 | 21.7% |
| | 2013 | 2,924,242 | 691,039 | 186,546 | 141,779 | - | 5,564 | - | 3,949,170 | 1,153,684 | 5,102,854 | 22.6% |

(1) Deborah Thomas was appointed a Non-Executive Director of the Group effective 1 December 2013 and is considered KMP from this date.

(2) Craig Davidson was appointed CEO of Theme parks on 2 September 2013 and is considered KMP from this date.

(3) Nicole Noye was appointed CEO of Bowling on 16 June 2014 and is considered KMP from this date.

(4) Lee Chadwick resigned from the Group effective 16 June 2014.

(5) Todd Coates resigned from the Group effective 31 July 2013.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) Details of remuneration – key management personnel (continued)

No termination benefits were paid to KMP during the current financial year. There are no cash bonuses or options forfeited with respect to specified executives not previously disclosed. No payments were made to KMP by the Group before they became employees.

Security-based payments included in the tables above reflect the amounts in the Income Statements of the Group. For Australian KMP, this amount is based on the fair value of the equity instruments at the date of the grant rather than at vesting or reporting date for those instruments not yet vested. For US KMP, this amount is based on the fair value of the equity instruments at the reporting date. During the year, 722,192 plan securities were issued to Australian employees under the deferred equity component of the STI (2013: 795,504). If the fair value recorded in the Income Statement was based on the movement in the fair value of the instruments between reporting dates, the amount included in KMP compensation would be increased by \$3,110,202 to \$4,305,134 (2013: increased by \$1,900,016 to \$3,053,700).

(d) Service agreements of key management personnel

Remuneration and other terms of employment for KMP are formalised in service agreements. Each of these agreements provides for the payment of performance related cash bonuses and participation in the Group's long term incentive plans. Other major provisions of the agreements relating to remuneration are set out below:

| Executive | Greg Shaw | Richard Johnson | Craig Davidson | Charlie Keegan | Nicole Noye | Greg Oliver |
|--------------------|---|---|---|--|---|---|
| Position | Chief Executive Officer | Chief Financial Officer | CEO – Theme parks | CEO – Main Event | CEO – Bowling centres | CEO – Health clubs |
| Term | No fixed term. | No fixed term. | No fixed term. | Contract to 14 February 2015 with automatic renewal on a year by year basis thereafter. | No fixed term. | No fixed term, however may not be terminated earlier than September 2015 unless certain early termination conditions are triggered. |
| Base annual salary | \$751,305 for the year ended 30 June 2014. | \$401,305 for the year ended 30 June 2014. | \$325,000 for the year ended 30 June 2014. | US\$360,000 for the year ended 30 June 2014. | \$360,000 for the year ended 30 June 2014. | \$420,000 for the year ended 30 June 2014. |
| Termination | Employment shall continue with the Group unless the executive gives the Group six months' notice in writing, or the Group gives the executive 12 months' notice in writing. | Employment shall continue with the Group unless either party gives six months' notice in writing. | Employment shall continue with the Group unless either party gives three months' notice in writing. | During the contract term, employment shall continue with the Group unless the executive gives three months' notice in writing. An early termination payment equal to one year's salary is payable to the executive if the Group terminates the executive during the contract, other than for gross misconduct. | Employment shall continue with the Group unless either party gives three months' notice in writing. | Employment shall continue with the Group unless either party gives three months' notice in writing. |

All base salary amounts are inclusive of any superannuation payment and will be reviewed annually. With the exception of the terms noted above, there are no contracted termination benefits payable to any KMP.

Directors' report to stapled security holders

11. Remuneration report (continued)

(e) Deferred Short Term Incentive Plan (DSTI)

| Plan name | DSTI |
|--|--|
| Who can participate? | All employees are eligible for participation at the discretion of the Board. |
| Types of securities issued | Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements. |
| Treatment of non-Australian residents | For employees who are not Australian residents, the DSTI historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same tenure hurdles. |
| What restrictions are there on the securities? | Performance rights are non-transferable. |
| When can the securities vest? | The plan contemplates that the performance rights will vest equally one year and two years following the grant date. |
| What are the vesting conditions? | Plan performance rights will normally vest only if the participant remains employed by the Group (and is not under notice terminating the contract of employment from either party) as at the relevant vesting date. |
| Did any of the securities vest? | During the financial year, a total of 857,282 performance rights vested. |

Australian employees

Since the DSTI was approved in July 2010, incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI, participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date. The first set of performance rights were granted under the DSTI on 16 December 2010, with the first possible vesting date being the day after the full year results announcement for the year ended 30 June 2011. A total of 722,192 performance rights vested on 23 August 2013 and 11 November 2013 and a corresponding number of stapled securities were issued to Australian employees under the terms of the DSTI (2013: 795,504).

The characteristics of the DSTI indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the DSTI's service criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the DSTI is accounted for as a cash settled share-based payment.

Fair value – Australian employees

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

The fair value of the performance rights granted under the DSTI is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model with the movement in fair value of the liability being recognised in the Income Statement.

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

Directors' report to stapled security holders

11. Remuneration report (continued)

(e) Deferred Short Term Incentive Plan (DSTI) (continued)

US employees

Due to restrictions on the issue of securities to US residents, those US executives eligible for the DSTI are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (VWAP) for the five trading days immediately following the vesting date and an equivalent cash payment is made. Due to the nature of the scheme, this is considered to be a cash settled share-based payment under AASB 2. A total of 135,090 cash settled performance rights vested on 23 August 2013 to US employees under the terms of the DSTI (2013: 115,049).

Arrangements have now been made to allow for the issue of equity to US resident employees and future grants of performance rights for equity will be issued instead of cash awards.

Fair value – US employees

The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model. This is recorded as a liability with the movement in the fair value of the financial liability being recognised in the Income Statement.

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

Valuation inputs

For the performance rights outstanding at 30 June 2014, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the date of grant. This valuation is used to value the performance rights granted to Australian employees at 30 June 2014:

| Grant | 2012 | 2013 |
|--|-----------------|-----------------|
| Grant date | 24 August 2012 | 23 August 2013 |
| Vesting date – year 1 | 23 August 2013 | 31 August 2014 |
| Vesting date – year 2 | 31 August 2014 | 31 August 2015 |
| Average risk free rate | 2.80% per annum | 2.60% per annum |
| Expected price volatility | 35.0% per annum | 30.9% per annum |
| Expected distribution yield | 9.1% per annum | 6.6% per annum |
| Stapled security price at grant date | \$1.29 | \$1.82 |
| Valuation per performance right on issue | \$1.15 | \$1.66 |

The table below shows the fair value of the performance rights in each grant as at 30 June 2014 as well as the factors used to value the performance rights as at 30 June 2014. This valuation is used to value the performance rights granted to US employees at 30 June 2014:

| Grant | 2012 | 2013 |
|---|-----------------|-----------------|
| Grant date | 24 August 2012 | 23 August 2013 |
| Vesting date – year 1 | 23 August 2013 | 31 August 2014 |
| Vesting date – year 2 | 31 August 2014 | 31 August 2015 |
| Average risk free rate | 2.51% per annum | 2.51% per annum |
| Expected price volatility | 26.8% per annum | 26.8% per annum |
| Expected distribution yield | 4.8% per annum | 4.8% per annum |
| Stapled security price at year end | \$2.71 | \$2.71 |
| Valuation per performance right at year end | \$2.71 | \$2.64 |

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

Directors' report to stapled security holders

11. Remuneration report (continued)

(e) Deferred Short Term Incentive Plan (DSTI) (continued)

Tenure hurdle

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

Performance rights

The number of performance rights on issue and granted to the Group's KMP is set out below:

| 30 June 2014 | Opening balance | Granted | Exercised | Lapsed | Closing balance | Vested and exercisable | Unvested |
|---------------------------------|-----------------|----------------|------------------|-----------------|-----------------|------------------------|----------------|
| <i>Current executives</i> | | | | | | | |
| Craig Davidson | - | - | - | - | - | - | - |
| Richard Johnson | 121,143 | 55,422 | (86,277) | - | 90,288 | - | 90,288 |
| Charlie Keegan | - | 72,993 | - | - | 72,993 | - | 72,993 |
| Nicole Noye | - | - | - | - | - | - | - |
| Greg Oliver | 141,107 | 71,873 | (97,803) | - | 115,177 | - | 115,177 |
| Greg Shaw | 218,410 | 100,753 | (157,122) | - | 162,041 | - | 162,041 |
| Equity settled | 480,660 | 301,041 | (341,202) | - | 440,499 | - | 440,499 |
| Charlie Keegan | 134,575 | - | (92,921) | - | 41,654 | - | 41,654 |
| Cash settled | 134,575 | - | (92,921) | - | 41,654 | - | 41,654 |
| <i>Past executives</i> | | | | | | | |
| Lee Chadwick | - | 48,911 | - | (48,911) | - | - | - |
| Todd Coates | - | - | - | - | - | - | - |
| Total performance rights | 615,235 | 349,952 | (434,123) | (48,911) | 482,153 | - | 482,153 |

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Long Term Incentive Plan (LTIP)

| Plan name | LTIP |
|--|--|
| Who can participate? | All employees are eligible for participation at the discretion of the Board. |
| Types of securities issued | Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements. |
| Treatment of non-Australian residents | For employees who are not Australian residents, the LTIP historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same performance hurdles. |
| What restrictions are there on the securities? | Performance rights are non-transferable. |
| When can the securities vest? | <p>The plan contemplates that the performance rights will vest equally two, three and four years following the grant date, subject to meeting the total shareholder return (TSR) performance hurdle.</p> <p>From 1 July 2014, the LTIP will also be subject to a dual measure by including an internal compound EPS measure. The weighting between the two hurdles will be then be split as follows:</p> <ul style="list-style-type: none"> • TSR – 50%; and • EPS – 50%. |
| What are the vesting conditions? | <p>From 1 July 2014, in order for any or all of the performance rights to vest one or both of the following hurdles must be met:</p> <ul style="list-style-type: none"> • TSR performance hurdle - the Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark group for the same period. A sliding scale of vesting applies above the 50th percentile threshold; and • EPS performance hurdle - the Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above the 5% threshold. |
| What does total shareholder return include? | TSR is the total return an investor would receive over a set period of time assuming that all distributions were reinvested in the Group's securities. The TSR definition takes account of both capital growth and distributions. |
| What is the earnings per security hurdle? | The EPS hurdle refers to the annual growth of earnings per security over the total vesting periods of two, three and four years from the grant date. |
| What is the benchmark group? | The benchmark group comprises the ASX Small Industrials Index. |
| Did any of the securities vest? | During the financial year, a total of 1,303,244 performance rights reached vesting following an independent third party assessment of the Group's TSR performance compared to the benchmark. |

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Long Term Incentive Plan (LTIP) (continued)

Australian employees

Since 1 July 2009, long term incentives have been provided to certain executives under the LTIP. Under the terms of the LTIP and the initial grant, employees may be granted performance rights of which one third will vest two years after grant date, one third will vest three years after grant date and one third will vest four years after grant date. The percentage of performance rights which may vest is subject to the TSR performance of the Group relative to its peer group, which is the ASX Small Industrials Index.

During the year, the relative TSR performance of the Group was tested in accordance with the LTIP for tranches issued in 2009, 2010 and 2011 with the following results:

| Tranche | TSR percentile | Vesting percentage |
|---------|----------------|--------------------|
| T3-2009 | 67.05 | 84.1% |
| T2-2010 | 83.16 | 100.0% |
| T1-2011 | 71.13 | 92.3% |

A total of 1,234,184 performance rights vested on 23 August 2013 and a corresponding number of stapled securities were issued to Australian employees under the terms of the LTIP (2013: 695,682).

The characteristics of the LTIP indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the LTIP is accounted for as a cash settled share-based payment.

Fair value – Australian employees

The fair value of the performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights is determined at grant date using a Monte Carlo simulation valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

The fair value of the performance rights granted under the LTIP is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model with the movement in fair value of the liability being recognised in the Income Statement.

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

US employees

Due to restrictions on the issue of securities to US residents, those US executives eligible for the LTIP are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security VWAP for the five trading days immediately following the vesting date and an equivalent cash payment is made. Due to the nature of the scheme, this is considered to be a cash settled share-based payment under AASB 2. A total of 69,060 cash settled performance rights vested on 23 August 2013 to US employees under the terms of the LTIP (2013: 38,401).

Arrangements have now been made to allow for the issue of equity to US resident employees and future grants of performance rights for equity will be issued instead of cash awards.

Fair value – US employees

The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model. This is recorded as a liability with the difference in the movement in the fair value of the financial liability recognised in the Income Statement.

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

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Long Term Incentive Plan (LTIP) (continued)

Valuation inputs

For performance rights outstanding at 30 June 2014, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. This valuation is used to value the performance rights granted to Australian employees at 30 June 2014:

| Grant | 2010 | 2011 | 2012 | 2013 |
|--|------------------|-------------------|-----------------|-----------------|
| Grant date | 16 December 2010 | 12 September 2011 | 24 August 2012 | 23 August 2013 |
| Vesting date – year 2 | 24 August 2012 | 23 August 2013 | 31 August 2014 | 31 August 2015 |
| Vesting date – year 3 | 23 August 2013 | 31 August 2014 | 31 August 2015 | 31 August 2016 |
| Vesting date – year 4 | 31 August 2014 | 31 August 2015 | 31 August 2016 | 31 August 2017 |
| Average risk free rate | 5.10% per annum | 3.49% per annum | 2.73% per annum | 2.60% per annum |
| Expected price volatility | 45% per annum | 40% per annum | 35% per annum | 32% per annum |
| Expected distribution yield | 10.0% per annum | 11.0% per annum | 9.1% per annum | 6.6% per annum |
| Stapled security price at grant date | \$1.065 | \$1.055 | \$1.290 | \$1.815 |
| Valuation per performance right on issue | \$0.52 | \$0.44 | \$0.61 | \$0.76 |

The table below shows the fair value of the performance rights for each grant as at 30 June 2014 as well as the factors used to value the performance rights at 30 June 2014. This valuation is used to value the performance rights granted to US employees at 30 June 2014:

| Grant | 2010 | 2011 | 2012 | 2013 |
|--|------------------|-------------------|-----------------|-----------------|
| Grant date | 16 December 2010 | 12 September 2011 | 24 August 2012 | 23 August 2013 |
| Vesting date – year 2 | 24 August 2012 | 23 August 2013 | 31 August 2014 | 31 August 2015 |
| Vesting date – year 3 | 23 August 2013 | 31 August 2014 | 31 August 2015 | 31 August 2016 |
| Vesting date – year 4 | 31 August 2014 | 31 August 2015 | 31 August 2016 | 31 August 2017 |
| Average risk free rate | 2.51% per annum | 2.51% per annum | 2.51% per annum | 2.51% per annum |
| Expected price volatility | 26.8% per annum | 26.8% per annum | 26.8% per annum | 26.8% per annum |
| Expected distribution yield | 4.8% per annum | 4.8% per annum | 4.8% per annum | 4.8% per annum |
| Stapled security price at year end | \$2.71 | \$2.71 | \$2.71 | \$2.71 |
| Valuation per performance right on issue | \$2.71 | \$2.64 | \$2.55 | \$2.33 |

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

Performance hurdles

In order for any or all of the performance rights to vest under the LTIP, the Group's TSR and/or (for grants made after 1 July 2014) the EPS performance hurdle must be met.

TSR

The Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark for the same period. A sliding scale of vesting applies above the 50th percentile threshold.

| TSR of the Group relative to TSRs of comparators | Proportion of performance rights vesting |
|--|--|
| Below 51st percentile | 0% |
| 51st percentile | 50% |
| Between 51st percentile and 75th percentile | Straight-line vesting between 50% and 100% |
| 75th percentile or higher | 100% |

TSR over a performance period is measured against the benchmark group securities calculated at the average closing price of securities on the ASX for the calendar month period up to and including each of the first and last dates of the performance period. Distributions are assumed to be reinvested at the distribution date and any franking credits (or similar) are ignored.

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Long Term Incentive Plan (LTIP) (continued)

Performance hurdles (continued)

EPS

The Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above 5% threshold.

| Compound EPS growth in the period | Proportion of performance rights vesting |
|-----------------------------------|--|
| Below 5% | 0% |
| 5% | 50% |
| Between 5% and 10% | Straight-line vesting between 50% and 100% |
| 10% or higher | 100% |

The weighting between the two performance measures is split as follows:

- TSR – 50%; and
- EPS – 50%.

Performance rights

The number of performance rights on issue and granted to the Group's KMP is set out below:

| 30 June 2014 | Opening balance | Granted | Exercised | Lapsed | Closing balance | Vested and exercisable | Unvested |
|---------------------------------|------------------|----------------|------------------|------------------|------------------|------------------------|------------------|
| <i>Current executives</i> | | | | | | | |
| Craig Davidson | - | - | - | - | - | - | - |
| Richard Johnson | 911,888 | 197,368 | (302,458) | (25,466) | 781,332 | - | 781,332 |
| Charlie Keegan | - | 51,487 | - | - | 51,487 | - | 51,487 |
| Nicole Noye | - | - | - | - | - | - | - |
| Greg Oliver | 246,436 | 69,079 | (61,331) | (2,645) | 251,539 | - | 251,539 |
| Greg Shaw | 1,709,787 | 370,066 | (567,108) | (47,748) | 1,464,997 | - | 1,464,997 |
| Equity settled | 2,868,111 | 688,000 | (930,897) | (75,859) | 2,549,355 | - | 2,549,355 |
| Charlie Keegan | 179,765 | - | (60,474) | (5,802) | 113,489 | - | 113,489 |
| Cash settled | 179,765 | - | (60,474) | (5,802) | 113,489 | - | 113,489 |
| <i>Past executives</i> | | | | | | | |
| Lee Chadwick | - | 59,211 | - | (59,211) | - | - | - |
| Todd Coates | - | - | - | - | - | - | - |
| Total performance rights | 3,047,876 | 747,211 | (991,371) | (140,872) | 2,662,844 | - | 2,662,844 |

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional information

Performance of the Group

Over the past five years, core earnings per security of the Group have increased by 26.2% and the market capitalisation of the Group has increased by 258.7%. In 2010, following the internalisation of the Manager, the definition of KMP extended to include executives of both the Manager and ALL. The table below compares the Group's core earnings per security with total KMP remuneration over the past five years.

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------------|-------------|-------------|-------------|-------------|
| Security price as at 30 June | \$2.710 | \$1.715 | \$1.275 | \$1.275 | \$0.990 |
| Half year distribution per security | \$0.068 | \$0.066 | \$0.065 | \$0.065 | \$0.065 |
| Distribution reinvestment price | N/A | N/A | \$1.0073 | \$0.9872 | \$1.6826 |
| Full year distribution per security | \$0.062 | \$0.054 | \$0.052 | \$0.050 | \$0.043 |
| Distribution reinvestment price | \$2.6378 | \$1.6841 | \$1.2373 | \$1.2496 | \$0.9915 |
| Number of securities on issue as at 30 June | 405,055,708 | 397,803,987 | 334,209,401 | 318,147,978 | 309,109,468 |
| Market capitalisation as at 30 June (\$ million) | \$1,097.7 | \$682.2 | \$426.1 | \$405.6 | \$306.0 |
| Core earnings per security (cents) | 14.40 | 13.14 | 12.91 | 12.54 | 11.41 |
| Total KMP remuneration | \$5,512,164 | \$5,102,854 | \$6,052,116 | \$4,988,292 | \$4,154,853 |
| Investor value of a \$5,000 investment as at 30 June 2009 (Based upon an initial security price of \$1.42) | \$13,749 | \$8,608 | \$5,978 | \$5,391 | \$3,777 |

Details of remuneration: cash bonuses and options

All service and performance criteria were met by executives eligible for a bonus with respect to their performance in the 30 June 2013 financial year. These bonuses were paid during the year and the percentages forfeited are set out below. No part of the bonuses is payable in future years. Bonuses with respect to performance within the 30 June 2014 financial year have been accrued but are subject to approval by the Group's Remuneration and Nomination Committee before payment.

Plan securities and performance rights granted to executives vest over varying periods of one, two, three and four years, provided the vesting conditions are met. No plan securities or performance rights will vest if the conditions are not satisfied; hence, the minimum value of the plan securities and performance rights yet to vest is \$nil.

DSTI

Under the terms of the 2012 grant, performance rights were allocated on the basis of a valuation dated 24 August 2012 and there was no valuation difference. Under the terms of the 2013 grant, performance rights were allocated on the basis of a valuation dated 23 August 2013 and there was no valuation difference.

LTIP

Under the terms of the 2010 grant, performance rights were allocated on the basis of a valuation dated 23 August 2010 being the date 24 hours after the release of the 2010 financial year results. A valuation difference of \$0.06 per performance right between the allocation date and the grant date was caused by an increase in the Group's security price between these dates.

Under the terms of the 2011 grant, performance rights were allocated on the basis of a valuation dated 12 September 2011 and there was no valuation difference.

Under the terms of the 2012 grant, performance rights were allocated on the basis of a valuation dated 24 August 2012 and there was no valuation difference.

Under the terms of the 2013 grant, performance rights were allocated on the basis of a valuation dated 23 August 2013 and there was no valuation difference.

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional information (continued)

The table below sets out the number of performance rights that were granted, lapsed and vested during the financial year and that are yet to vest. The percentage of cash STI (as listed in the table in section (c) above) that was awarded to the Group's KMP and the percentage that was forfeited because the executive did not meet the performance criteria is also set out below. No part of any cash STI is payable in future years.

| | Year granted | Tranche | Financial years in which performance rights may vest | | Value of performance rights at grant | Number lapsed | Value of performance rights at lapse | Number vested | Value of performance rights at vesting | Maximum value yet to vest | Cash STI (%) | | |
|--------------------|--------------|---------|--|--------|--------------------------------------|---------------|--------------------------------------|---------------|--|---------------------------|--------------|-----------|-----|
| | | | Year | Number | \$ | | \$ | | \$ | \$ | Awarded | Forfeited | |
| | | | | | | | | | | | | | |
| Current executives | | | | | | | | | | | | | |
| Equity settled | | | | | | | | | | | | | |
| Craig Davidson | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Richard Johnson | LTIP | 2009 | T3 | 2014 | 104,707 | 91,095 | 16,648 | 30,216 | 88,059 | 159,827 | - | 92.0 | 8.0 |
| | | | T2 | 2014 | 108,696 | 57,609 | - | - | 108,696 | 197,283 | - | | |
| | | 2011 | T3 | 2015 | 108,696 | 56,522 | - | - | - | - | 56,522 | | |
| | | | T1 | 2014 | 114,521 | 50,389 | 8,818 | 16,005 | 105,703 | 191,851 | - | | |
| | | | T2 | 2015 | 114,521 | 50,389 | - | - | - | - | 50,389 | | |
| | | 2012 | T3 | 2016 | 114,522 | 49,244 | - | - | - | - | 49,244 | | |
| | | | T1 | 2015 | 82,075 | 50,328 | - | - | - | - | 50,328 | | |
| | | | T2 | 2016 | 82,075 | 50,181 | - | - | - | - | 50,181 | | |
| | | | T3 | 2017 | 82,075 | 49,491 | - | - | - | - | 49,491 | | |
| | 2013 | T1 | 2016 | 65,790 | 51,678 | - | - | - | - | 51,678 | | | |
| | | T2 | 2017 | 65,789 | 51,388 | - | - | - | - | 51,388 | | | |
| | | T3 | 2018 | 65,789 | 47,579 | - | - | - | - | 47,579 | | | |
| | DSTI | 2011 | T2 | 2014 | 51,411 | 43,699 | - | - | 51,411 | 93,311 | - | | |
| | | | T1 | 2014 | 34,866 | 41,818 | - | - | 34,866 | 63,282 | - | | |
| | | 2012 | T2 | 2015 | 34,866 | 38,182 | - | - | - | - | 38,182 | | |
| | | | T1 | 2015 | 27,711 | 47,541 | - | - | - | - | 47,541 | | |
| | | | T2 | 2016 | 27,711 | 44,498 | - | - | - | - | 44,498 | | |
| 1,285,821 | | | | | 871,631 | 25,466 | 46,221 | 388,735 | 705,554 | 587,021 | | | |
| Nicole Noye | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Greg Oliver | LTIP | 2010 | T2 | 2014 | 29,620 | 15,699 | - | - | 29,620 | 53,760 | - | 97.0 | 3.0 |
| | | | T3 | 2015 | 29,620 | 15,402 | - | - | - | - | 15,402 | | |
| | | 2011 | T1 | 2014 | 34,356 | 15,117 | 2,645 | 4,801 | 31,711 | 57,555 | - | | |
| | | | T2 | 2015 | 34,356 | 15,117 | - | - | - | - | 15,117 | | |
| | | | T3 | 2016 | 34,357 | 14,774 | - | - | - | - | 14,774 | | |
| | | 2012 | T1 | 2015 | 28,042 | 17,195 | - | - | - | - | 17,195 | | |
| | | | T2 | 2016 | 28,042 | 17,145 | - | - | - | - | 17,145 | | |
| | | | T3 | 2017 | 28,043 | 16,910 | - | - | - | - | 16,910 | | |
| | | 2013 | T1 | 2016 | 23,027 | 18,088 | - | - | - | - | 18,088 | | |
| | | | T2 | 2017 | 23,026 | 17,986 | - | - | - | - | 17,986 | | |
| | | | T3 | 2018 | 23,026 | 16,652 | - | - | - | - | 16,652 | | |
| | DSTI | 2011 | T2 | 2014 | 54,500 | 46,325 | - | - | 54,500 | 98,918 | - | | |
| | | | T1 | 2014 | 43,303 | 51,938 | - | - | 43,303 | 78,595 | - | | |
| | | 2012 | T2 | 2015 | 43,304 | 47,422 | - | - | - | - | 47,422 | | |
| | | | T1 | 2015 | 35,937 | 61,654 | - | - | - | - | 61,654 | | |
| | | 2013 | T1 | 2015 | 35,937 | 61,654 | - | - | - | - | 61,654 | | |
| | | | T2 | 2016 | 35,936 | 57,706 | - | - | - | - | 57,706 | | |
| 528,495 | | | | | 445,130 | 2,645 | 4,801 | 159,134 | 288,828 | 316,051 | | | |

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional information (continued)

| | | Year granted | Tranche | Financial years in which performance rights may vest | | Value of performance rights at grant | Number lapsed | Value of performance rights at lapse | Number vested | Value of performance rights at vesting | Maximum value yet to vest | Cash STI (%) | | |
|-----------------|------|--------------|---------|--|-----------|--------------------------------------|---------------|--------------------------------------|---------------|--|---------------------------|--------------|-----------|---------|
| | | | | Year | Number | \$ | | \$ | | \$ | \$ | Awarded | Forfeited | |
| Greg Shaw | LTIP | 2009 | T3 | 2014 | 196,325 | 170,803 | 31,215 | 56,655 | 165,110 | 299,675 | - | 89.2 | 10.8 | |
| | | | 2010 | T2 | 2014 | 203,804 | 108,016 | - | - | 203,804 | 369,904 | | | - |
| | | | | T3 | 2015 | 203,805 | 105,979 | - | - | - | - | | | 105,979 |
| | | 2011 | T1 | 2014 | 214,727 | 94,480 | 16,533 | 30,007 | 198,194 | 359,722 | - | | | |
| | | | T2 | 2015 | 214,727 | 94,480 | - | - | - | - | 94,480 | | | |
| | | | | T3 | 2016 | 214,728 | 92,333 | - | - | - | - | | | 92,333 |
| | | 2012 | T1 | 2015 | 153,890 | 94,365 | - | - | - | - | 94,365 | | | |
| | | | T2 | 2016 | 153,890 | 94,088 | - | - | - | - | 94,088 | | | |
| | | | | T3 | 2017 | 153,891 | 92,796 | - | - | - | - | | | 92,796 |
| | | 2013 | T1 | 2016 | 123,356 | 96,896 | - | - | - | - | 96,896 | | | |
| | | | T2 | 2017 | 123,355 | 96,353 | - | - | - | - | 96,353 | | | |
| | | | | T3 | 2018 | 123,355 | 89,210 | - | - | - | - | | | 89,210 |
| | DSTI | 2011 | T2 | 2014 | 95,834 | 81,459 | - | - | 95,834 | 173,939 | - | | | |
| | | | T1 | 2014 | 61,288 | 73,509 | - | - | 61,288 | 111,238 | - | | | |
| | | 2012 | T2 | 2015 | 61,288 | 67,116 | - | - | - | - | 67,116 | | | |
| | | | T1 | 2015 | 50,377 | 86,427 | - | - | - | - | 86,427 | | | |
| T2 | 2016 | 50,376 | 80,894 | - | - | - | - | 80,894 | | | | | | |
| | | | | | 2,399,016 | 1,619,204 | 47,748 | 86,662 | 724,230 | 1,314,478 | 1,090,937 | | | |
| Charlie Keegan | LTIP | 2013 | T1 | 2016 | 17,163 | 13,482 | - | - | - | - | 13,482 | 98.0 | 2.0 | |
| | | | T2 | 2017 | 17,162 | 13,405 | - | - | - | - | 13,405 | | | |
| | | | T3 | 2018 | 17,162 | 12,412 | - | - | - | - | 12,412 | | | |
| | DSTI | 2013 | T1 | 2015 | 36,497 | 62,614 | - | - | - | - | 62,614 | | | |
| | | | T2 | 2016 | 36,496 | 58,605 | - | - | - | - | 58,605 | | | |
| Cash settled | | | | | | | | | | | | | | |
| Charlie Keegan | LTIP | 2009 | T3 | 2014 | 25,863 | 22,501 | 4,112 | 7,463 | 21,751 | 39,478 | - | | | |
| | | | 2010 | T2 | 2014 | 18,453 | 9,780 | - | - | 18,453 | 33,492 | | | - |
| | | | | T3 | 2015 | 18,454 | 9,596 | - | - | - | - | | | 9,596 |
| | | 2011 | T1 | 2014 | 21,960 | 9,662 | 1,690 | 3,067 | 20,270 | 36,790 | - | | | |
| | | | T2 | 2015 | 21,960 | 9,662 | - | - | - | - | 9,662 | | | |
| | | | | T3 | 2016 | 21,960 | 9,443 | - | - | - | - | | | 9,443 |
| | | 2012 | T1 | 2015 | 17,038 | 10,448 | - | - | - | - | 10,448 | | | |
| | | | T2 | 2016 | 17,038 | 10,417 | - | - | - | - | 10,417 | | | |
| | | | | T3 | 2017 | 17,039 | 10,275 | - | - | - | - | | | 10,275 |
| | DSTI | 2011 | T2 | 2014 | 51,268 | 43,578 | - | - | 51,268 | 93,051 | - | | | |
| | | | 2012 | T1 | 2014 | 41,653 | 49,959 | - | - | 41,653 | 75,600 | | | - |
| | | | | T2 | 2015 | 41,654 | 45,615 | - | - | - | - | | | 45,615 |
| | | | | | 438,820 | 401,454 | 5,802 | 10,530 | 153,395 | 278,411 | 265,974 | | | |
| Past executives | | | | | | | | | | | | | | |
| Lee Chadwick | LTIP | 2013 | T1 | 2016 | 19,737 | 15,000 | 19,737 | 35,823 | - | - | - | 96.0 | 4.0 | |
| | | | T2 | 2017 | 19,737 | 15,000 | 19,737 | 35,823 | - | - | - | | | |
| | | | T3 | 2018 | 19,737 | 15,000 | 19,737 | 35,822 | - | - | - | | | |
| | DSTI | 2013 | T1 | 2015 | 24,456 | 40,597 | 24,456 | 44,388 | - | - | - | | | |
| | | | T2 | 2016 | 24,455 | 40,595 | 24,455 | 44,386 | - | - | - | | | |
| | | | | | 108,122 | 126,192 | 108,122 | 196,242 | - | - | - | | | |
| Todd Coates | - | - | - | - | - | - | - | - | - | - | - | - | 100.0 | |

Directors' report to stapled security holders

11. Remuneration report (continued)

(g) Additional information (continued)

Directors' interests in securities

Changes to Directors' interests in stapled securities during the period are set out below:

| | Opening balance | Acquired | Acquired under the Group's equity plans | Disposed | Closing balance |
|------------------|------------------|---------------|---|----------|------------------|
| Neil Balnaves AO | 2,439,062 | - | - | - | 2,439,062 |
| Roger Davis | 130,275 | 20,000 | - | - | 150,275 |
| Anne Keating | 74,461 | - | - | - | 74,461 |
| Don Morris AO | - | - | - | - | - |
| Greg Shaw | 768,369 | 53,351 | 724,230 | - | 1,545,950 |
| Deborah Thomas | - | 6,000 | - | - | 6,000 |
| George Venardos | 111,592 | 1,044 | - | - | 112,636 |
| | 3,523,759 | 80,395 | 724,230 | - | 4,328,384 |

KMP interests in securities

Changes to the interests of other KMP in stapled securities during the period are set out below:

| | Opening balance | Acquired | Acquired under the Group's equity plans | Disposed | Closing balance |
|-----------------|-----------------|----------|---|------------------|-----------------|
| Lee Chadwick | - | - | - | - | - |
| Todd Coates | - | - | - | - | - |
| Craig Davidson | - | - | - | - | - |
| Richard Johnson | 227,887 | - | 388,735 | (100,000) | 516,622 |
| Charlie Keegan | - | - | - | - | - |
| Nicole Noye | - | - | - | - | - |
| Greg Oliver | 135,575 | - | 159,134 | - | 294,709 |
| | 363,462 | - | 547,869 | (100,000) | 811,331 |

Loans and other transactions with KMP

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

Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011

On 1 July 2011, the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 came into force. The new legislative requirements under the Corporations Act 2001 in relation to remuneration votes and the "two strikes" rule operate such that a company receiving a 25% or more "NO" vote against its remuneration report resolution at the Annual General Meeting (AGM) in two consecutive years will be required to put a spill resolution to the meeting whereby investors can vote to hold a further meeting where all board directors will be subject to re-election.

In addition, KMP and their closely related parties are prohibited from voting on the adoption of the remuneration report and any other remuneration related resolutions at the AGM. In order to ensure that KMP and their closely related parties do not exercise their votes, the Group issued an instruction to them prior to the AGM and instructed the security registrars to apply appropriate voting exclusions.

At the AGM held on 30 October 2013, the following votes were cast on the adoption of the 2013 Remuneration Report:

| | Votes for | Votes against | Votes abstain |
|-------------------------------------|-----------|---------------|---------------|
| Adoption of the Remuneration Report | 97.3% | 2.0% | 0.7% |

Directors' report to stapled security holders

12. Non-audit services

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

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in Note 9 to the financial statements.

The Directors have considered the position and, in accordance with the recommendation received from the Audit and Risk Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 9 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

13. 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 34.

14. Events occurring after reporting date

Subsequent to 30 June 2014, a distribution of 6.2 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$25.1 million will be paid on or before 29 August 2014 in respect of the half year ended 30 June 2014.

On 16 July 2014, a conditional purchase agreement was entered into for the acquisition of eight health clubs from Fitness First in Western Australia for a total consideration of \$32.5 million, of which \$2.0 million will be deferred for 12 months. The agreement was subject to the completion of satisfactory due diligence, valid assignment of the property leases, Board approval and the Group securing finance. On the 6 August 2013, following the completion of the majority of the above conditions precedent, the Group announced the acquisition and undertook an institutional placement of \$50 million, proceeds of which will be used to fund the above acquisition and the acceleration of the Main Event development pipeline.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2014.

15. Likely developments and expected results of operations

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

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

16. Indemnification and insurance of officers and auditor

Manager

No insurance premiums are paid for out of the assets of the Trust for insurance provided to either the officers of the Manager or the auditor of the Trust. So long as the officers of the Manager act in accordance with the Trust Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

ALL

Under ALL's Constitution, ALL indemnifies:

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

Directors' report to stapled security holders

16. Indemnification and insurance of officers and auditor (continued)

ALL (continued)

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

17. Fees paid to and interests held in the Trust by the Manager or its associates

The interests in the Trust held by the Manager or its related entities as at 30 June 2014 and fees paid to its related entities during the financial year are disclosed in Notes 7 and 36 to the financial statements.

18. Environmental regulations

The Group is subject to significant environmental regulation in respect of its operating activities. During the financial year, the Group's major businesses were subject to environmental legislation in respect of its operating activities as set out below:

(a) Dreamworld

Dreamworld and WhiteWater World theme parks are subject to various legislative requirements in respect of environmental impacts of their operating activities. The Queensland Environmental Protection Act 1994 regulates all activities where a contaminant may be released into the environment and/or there is a potential for environmental harm or nuisance. In accordance with Schedule 1 of the Environmental Protection Regulation 1998, Dreamworld holds licences or approvals for the operation of a helipad, motor vehicle workshop, train-shed and storage and use of flammable/combustible goods. During the year, Dreamworld and WhiteWater World complied with all requirements of the Act.

The environment committee meets on a bi-monthly basis to pursue environmental projects and improve environmental performance. An energy conservation program was rolled out throughout the organisation. A mobile phone recycling program continued throughout the park as well as other local organisations. Proceeds from the program have also been raised to improve wildlife protection in parts of Africa where mobile phone components are sourced from. A range of existing recycling programs continue to operate effectively, including glass, plastic, waste metals, paper, waste oils and cardboard. A water efficiency management plan continues to operate effectively, with a net reduction of consumption over the past eight years. Staff also carried out voluntary programs aimed at the humane treatment of pests, removal of noxious weeds and other sustainability initiatives. These initiatives were additionally integrated into existing staff training programs to further strengthen environmental culture within the organisation.

Dreamworld's noise conservation program ensures that noise emissions emanating from park activities do not contravene State regulations or adversely impact surrounding neighbours. Local government regulations for the staging of night time events and functions were complied with at all times.

Dreamworld's Life Sciences department is subject to the Quarantine Act 1908. In accordance with the Australian Quarantine Regulations, Dreamworld holds an approved post-arrival facilities licence and an approved zoo permit. In accordance with the Nature Conservation Act 1992 and the Nature Conservation Regulation 1994, Dreamworld holds a "Wildlife Exhibitors Licence" and in accordance with Land Protection (Pest and Stock Route Management) Regulation 2003, Dreamworld holds a "Declared Pest Permit". All licences and permits remain current and Dreamworld has complied fully with the requirements of each.

There are two water licences for the Dreamworld/WhiteWater World property. These relate to water conservation and irrigation. There have been no issues or events of non-compliance recorded by management or the regulatory authorities regarding water use.

(b) d'Albora Marinas

Schedule 1 Environment Protection Licences are held for all five NSW marinas in the portfolio in accordance with the Protection of the Environment Operations Act 1997 (NSW). There are no specific environmental licence requirements in Victoria relating to the Pier 35 or Victoria Harbour marinas.

In July 2002, the NSW Environmental Protection Authority (EPA) was notified of long term historic groundwater contamination at the Rushcutters Bay marina, and the plan to manage the contamination. d'Albora Marinas has been working in consultation with the EPA to rectify the site contamination. The costs to rectify the site are not considered material to the Group.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(c) Bowling centres – Australia

Bowling centres are subject to environmental regulations concerning their food facilities. This is primarily trade waste and grease traps. The Group has adequate management systems and the correct licence requirements in place concerning the disposal of such waste in accordance with each State or Territory's legislation. Cooking oil is replaced and disposed of by external organisations at all locations.

All hazardous substances are disposed of according to manufacturers' and EPA regulations. A register of all hazardous substances and dangerous goods is located at centre level.

Lane cleaning and maintenance products are largely water-based products, excluding approach cleaner, which is a solvent-based product. This product is disposed of in accordance with each State and Territory's EPA requirements.

Noise is adequately monitored for both internal and external environmental breaches. Noise emissions fall within acceptable levels for both residential and industrial areas and all EPA requirements. No complaints have been received since acquisition of the business.

(d) Bowling centres – New Zealand

There are no specific requirements relating to the New Zealand centres that are not reflected in the above statement.

(e) Family entertainment centres – United States of America

Main Event is subject to various Federal, State and local environmental requirements with respect to development of new centres in the United States of America. At a Federal level, the Environmental Protection Agency is responsible for setting national standards for a variety of environmental programs, and delegates to states the responsibility for issuing permits and for monitoring and enforcing compliance.

A prerequisite for any building permit for new centre construction is full compliance with all city and State planning and zoning ordinances. A building permit, depending on locality, may require soils reports, site line studies, storm water and irrigation regulation compliance, asbestos free reports, refuse and grease storage permits, health and food safety permits, and complete Occupational Safety and Health Administration (OSHA) Material Safety Data Sheets (MSDS) documentation.

With respect to operating activities at Main Event, the OSHA requires that MSDS be available to all Main Event employees for explaining potentially harmful chemical substances handled in the workplace under the hazard communication regulation. The MSDS is also required to be made available to local fire departments and local and State emergency planning officials under section 311 of the Emergency Planning and Community Right-to-Know Act.

At this time, there are no known issues of non-compliance with any environmental regulation at Main Event.

(f) Goodlife Health Clubs

Goodlife is subject to environmental regulations across the business and has initiatives in place to meet all areas of environmental compliance.

Water conservation is a high priority and management has implemented a range of strategies to meet current water regulations as per each State's regulations. A recycling program has been implemented across the business, assisting with reduction of waste products and meeting environmental standards.

Hazardous substances and dangerous goods are strictly monitored in the business and, where possible, non-hazardous chemicals are used. All hazardous chemicals and dangerous goods are disposed as per current regulations. All clubs hold site specific chemical registers with safe work methods.

Noise emissions do not contravene State regulations or impact on surrounding business or neighbourhoods.

(g) Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The Group continues to meet its obligations under this Act.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(g) Greenhouse gas and energy data reporting requirements (continued)

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required. The Group submitted its 2012/2013 emissions report under the Act in October 2013.

The Group is not subject to any other significant environmental regulations and there are adequate systems in place to manage its environmental responsibilities.

19. Rounding of amounts to the nearest thousand dollars

The Group is a registered scheme of a kind referred to in Class Order 98/100 (as amended) 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 Class Order, 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.



Neil Balnaves AO

Director

Sydney

15 August 2014



Auditor's Independence Declaration

As lead auditor for the audit of Ardent Leisure Group for the year ended 30 June 2014, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Allman', enclosed within a large, loopy oval stroke.

Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
15 August 2014

Income Statements

for the year ended 30 June 2014

| | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|------|---|---|-----------------------------|-----------------------------|
| Income | | | | | |
| Revenue from operating activities | 3 | 499,703 | 448,903 | 499,703 | 448,903 |
| Management fee income | 7(b) | - | - | 1,200 | 1,200 |
| Valuation gains - investment properties | | - | 90 | - | - |
| Valuation gains - property, plant and equipment | | 8,590 | - | - | - |
| Net gain from derivative financial instruments | 6 | - | 602 | - | - |
| Interest income | | 211 | 228 | 99 | 185 |
| Gain on acquisition | | - | 2,613 | - | 2,613 |
| Gain on sale of assets | | - | 313 | - | 293 |
| Total income | | 508,504 | 452,749 | 501,002 | 453,194 |
| Expenses | | | | | |
| Purchases of finished goods | | 46,550 | 42,051 | 46,550 | 42,051 |
| Salary and employee benefits | | 185,191 | 167,469 | 189,397 | 169,621 |
| Borrowing costs | 4 | 11,330 | 12,288 | 8,766 | 7,531 |
| Property expenses | 5 | 79,539 | 68,749 | 138,302 | 120,241 |
| Depreciation and amortisation | | 42,043 | 37,303 | 21,007 | 18,141 |
| Loss on closure of bowling centre | | 1,579 | - | - | - |
| Loss on disposal of assets | | 74 | - | 81 | - |
| Advertising and promotions | | 18,997 | 17,575 | 18,997 | 17,575 |
| Repairs and maintenance | | 22,222 | 20,711 | 22,222 | 20,711 |
| Pre-opening expenses | | 2,579 | 2,527 | 2,579 | 2,438 |
| Business acquisition costs | | 277 | 1,507 | 277 | 1,607 |
| Net loss from derivative financial instruments | 6 | 613 | - | - | - |
| Other expenses | 8 | 45,632 | 43,078 | 45,141 | 42,544 |
| Total expenses | | 456,626 | 413,258 | 493,319 | 442,460 |
| Profit before tax expense | | 51,878 | 39,491 | 7,683 | 10,734 |
| Withholding tax expense | | 159 | 186 | - | - |
| US State tax expense | | 724 | 540 | 724 | 540 |
| Income tax expense | 10 | 1,993 | 3,148 | 1,903 | 3,101 |
| Profit | | 49,002 | 35,617 | 5,056 | 7,093 |
| Attributable to: | | | | | |
| Stapled security holders | | 49,002 | 35,617 | 5,056 | 7,093 |
| Profit | | 49,002 | 35,617 | 5,056 | 7,093 |
| The above Income Statements should be read in conjunction with the accompanying notes. | | | | | |
| Basic earnings per security/share (cents) | 11 | 12.13 | 9.32 | 1.25 | 1.86 |
| Diluted earnings per security/share (cents) | 11 | 12.05 | 9.24 | 1.24 | 1.84 |
| Distribution in respect of the year ended 30 June | 12 | 52,657 | 47,734 | - | - |
| Distribution per security in respect of the year ended 30 June (cents) | 12 | 13.00 | 12.00 | - | - |

Statements of Comprehensive Income for the year ended 30 June 2014

| | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|------|---|---|-----------------------------|-----------------------------|
| Profit | | 49,002 | 35,617 | 5,056 | 7,093 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to profit and loss</i> | | | | | |
| Cash flow hedges | 30 | 434 | 1,529 | (30) | - |
| Foreign exchange translation difference | 30 | 391 | (636) | (942) | 2,472 |
| Income tax relating to these items | 30 | 11 | - | 11 | - |
| <i>Items that will not be reclassified to profit and loss</i> | | | | | |
| Gain on revaluation of property, plant and equipment | 30 | 6,866 | 9,103 | - | - |
| Other comprehensive income for the year, net of tax | | 7,702 | 9,996 | (961) | 2,472 |
| Total comprehensive income for the year, net of tax | | 56,704 | 45,613 | 4,095 | 9,565 |
| Attributable to: | | | | | |
| Stapled security holders | | 56,704 | 45,613 | 4,095 | 9,565 |
| Total comprehensive income for the year, net of tax | | 56,704 | 45,613 | 4,095 | 9,565 |

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

Balance Sheets

as at 30 June 2014

| | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|------|---|---|-----------------------------|-----------------------------|
| Current assets | | | | | |
| Cash and cash equivalents | 33 | 7,079 | 12,953 | 6,197 | 12,481 |
| Receivables | 13 | 7,416 | 7,049 | 7,762 | 9,290 |
| Derivative financial instruments | 14 | - | 575 | - | - |
| Inventories | 15 | 9,378 | 9,780 | 9,378 | 9,780 |
| Property held for sale | 16 | 10,650 | 4,210 | 10,650 | 4,210 |
| Other | 17 | 8,937 | 9,402 | 5,438 | 5,956 |
| Total current assets | | 43,460 | 43,969 | 39,425 | 41,717 |
| Non-current assets | | | | | |
| Investment properties | 18 | 95,870 | 95,232 | - | - |
| Property, plant and equipment | 19 | 510,162 | 461,915 | 123,463 | 83,450 |
| Livestock | 20 | 300 | 305 | 300 | 305 |
| Intangible assets | 21 | 201,237 | 196,788 | 201,237 | 196,788 |
| Deferred tax assets | 22 | 1,978 | 1,533 | 1,978 | 1,533 |
| Total non-current assets | | 809,547 | 755,773 | 326,978 | 282,076 |
| Total assets | | 853,007 | 799,742 | 366,403 | 323,793 |
| Current liabilities | | | | | |
| Payables | 23 | 69,065 | 63,977 | 60,287 | 54,343 |
| Derivative financial instruments | 14 | 459 | 584 | - | - |
| Interest bearing liabilities | 24 | 61 | 238 | 61 | 238 |
| Current tax liabilities | | 376 | 2,617 | 376 | 2,617 |
| Provisions | 25 | 3,272 | 2,990 | 3,272 | 2,990 |
| Other | 26 | 2,155 | 2,101 | 2,155 | 2,101 |
| Total current liabilities | | 75,388 | 72,507 | 66,151 | 62,289 |
| Non-current liabilities | | | | | |
| Derivative financial instruments | 14 | 1,004 | 1,307 | 48 | - |
| Interest bearing liabilities | 24 | 260,211 | 227,628 | 204,826 | 168,346 |
| Provisions | 25 | 1,625 | 2,011 | 1,625 | 2,011 |
| Deferred tax liabilities | 27 | 9,277 | 8,999 | 9,277 | 8,999 |
| Total non-current liabilities | | 272,117 | 239,945 | 215,776 | 179,356 |
| Total liabilities | | 347,505 | 312,452 | 281,927 | 241,645 |
| Net assets | | 505,502 | 487,290 | 84,476 | 82,148 |
| Equity | | | | | |
| Contributed equity | 28 | 513,912 | 501,416 | 16,309 | 14,202 |
| Reserves | 30 | (45,918) | (45,817) | (1,537) | (576) |
| Retained profits/(accumulated losses) | 31 | 37,508 | 31,691 | (1,655) | (2,837) |
| Total equity attributable to stapled security holders | | 505,502 | 487,290 | 13,117 | 10,789 |
| Non-controlling interests | | - | - | 71,359 | 71,359 |
| Total equity | | 505,502 | 487,290 | 84,476 | 82,148 |

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

Statements of Changes in Equity for the year ended 30 June 2014

| | Note | Contributed equity \$'000 | Reserves \$'000 | Retained profits/ (accumulated losses) \$'000 | Non- controlling interests \$'000 | Total \$'000 |
|--|--------|---------------------------------|--------------------|---|--|-----------------|
| Consolidated Group | | | | | | |
| Total equity at 1 July 2012 | | 421,900 | (45,504) | 30,259 | - | 406,655 |
| Profit for the year | | - | - | 35,617 | - | 35,617 |
| Other comprehensive income | | - | 9,996 | - | - | 9,996 |
| Total comprehensive income for the year | | - | 9,996 | 35,617 | - | 45,613 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Security-based payments | 30 | - | (862) | - | - | (862) |
| Contributions of equity, net of issue costs | 28 | 77,585 | - | - | - | 77,585 |
| Security-based payments - securities/shares issued | 28 | 1,931 | - | - | - | 1,931 |
| Distributions paid and payable | 31 | - | - | (43,632) | - | (43,632) |
| Reserve transfers | 30, 31 | - | (9,447) | 9,447 | - | - |
| Total equity at 30 June 2013 | | 501,416 | (45,817) | 31,691 | - | 487,290 |
| Profit for the year | | - | - | 49,002 | - | 49,002 |
| Other comprehensive income | | - | 7,702 | - | - | 7,702 |
| Total comprehensive income for the year | | - | 7,702 | 49,002 | - | 56,704 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Security-based payments | 30 | - | (1,963) | - | - | (1,963) |
| Contributions of equity, net of issue costs | 28 | 8,915 | - | - | - | 8,915 |
| Security-based payments - securities/shares issued | 28 | 3,581 | - | - | - | 3,581 |
| Distributions paid and payable | 31 | - | - | (49,025) | - | (49,025) |
| Reserve transfers | 30, 31 | - | (5,840) | 5,840 | - | - |
| Total equity at 30 June 2014 | | 513,912 | (45,918) | 37,508 | - | 505,502 |
| ALL Group | | | | | | |
| Total equity at 1 July 2012 | | 11,960 | (3,048) | (6,310) | 33,024 | 35,626 |
| Profit for the year | | - | - | 7,093 | - | 7,093 |
| Other comprehensive income | | - | 2,472 | - | - | 2,472 |
| Total comprehensive income for the year | | - | 2,472 | 7,093 | - | 9,565 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of issue costs | 28 | 2,185 | - | - | - | 2,185 |
| Security-based payments - securities/shares issued | 28 | 57 | - | - | - | 57 |
| Issue of convertible notes | | - | - | - | 38,335 | 38,335 |
| Dividends paid and payable | 31 | - | - | (3,620) | - | (3,620) |
| Total equity at 30 June 2013 | | 14,202 | (576) | (2,837) | 71,359 | 82,148 |
| Profit for the year | | - | - | 5,056 | - | 5,056 |
| Other comprehensive income | | - | (961) | - | - | (961) |
| Total comprehensive income for the year | | - | (961) | 5,056 | - | 4,095 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of issue costs | 28 | 1,503 | - | - | - | 1,503 |
| Security-based payments - securities/shares issued | 28 | 604 | - | - | - | 604 |
| Dividends paid and payable | 31 | - | - | (3,874) | - | (3,874) |
| Total equity at 30 June 2014 | | 16,309 | (1,537) | (1,655) | 71,359 | 84,476 |

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

Statements of Cash Flows for the year ended 30 June 2014

| | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|-------|---|---|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 549,659 | 492,258 | 550,257 | 494,486 |
| Payments to suppliers and employees | | (367,238) | (338,753) | (369,765) | (336,526) |
| Property expenses paid | | (79,704) | (69,945) | (76,501) | (67,868) |
| Realised gains on derivative financial instruments | | - | 264 | - | - |
| Interest received | | 211 | 228 | 99 | 185 |
| Rent payments to the Trust | | - | - | (111,296) | (102,808) |
| Receipts of funds for property costs from the Trust | | - | - | 50,464 | 48,912 |
| US withholding tax paid | | (143) | (214) | - | - |
| Income tax paid | | (5,317) | (1,469) | (5,317) | (1,469) |
| Net cash flows from operating activities | 34(a) | 97,468 | 82,369 | 37,941 | 34,912 |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (86,337) | (62,780) | (72,317) | (34,128) |
| Purchase of assets for the Trust | | - | - | (14,516) | (29,499) |
| Receipt of funds for assets purchased on behalf of the Trust | | - | - | 16,100 | 33,821 |
| Proceeds from sale of plant and equipment | | 226 | 543 | 102 | 502 |
| Proceeds from sale of land and buildings | | 10,278 | - | 10,278 | - |
| Payments for purchase of businesses net of cash acquired | | (11,736) | (67,510) | (10,145) | (67,510) |
| Net cash flows from investing activities | | (87,569) | (129,747) | (70,498) | (96,814) |
| Cash flows from financing activities | | | | | |
| Proceeds from borrowings | | 1,925,688 | 2,601,809 | 726,852 | 55,159 |
| Repayments of borrowings | | (1,890,351) | (2,575,014) | (699,738) | - |
| Borrowing costs | | (10,870) | (11,810) | (8,600) | (7,475) |
| Proceeds from issue of stapled securities | | - | 72,225 | - | 2,034 |
| Costs of issue of stapled securities | | (3) | (1,628) | (1) | (45) |
| Dividends paid to the Trust | | - | - | (3,874) | (3,620) |
| Proceeds from loans from the Trust | | - | - | 94,288 | 108,332 |
| Repayments of borrowings to the Trust | | - | - | (82,520) | (126,592) |
| Repayments of principal on finance leases | | (249) | (249) | (249) | (249) |
| Proceeds from convertible notes | | - | - | - | 38,336 |
| Distributions paid to stapled security holders | | (40,107) | (36,644) | - | - |
| Net cash flows from financing activities | | (15,892) | 48,689 | 26,158 | 65,880 |
| Net (decrease)/increase in cash and cash equivalents | | (5,993) | 1,311 | (6,399) | 3,978 |
| Cash and cash equivalents at the beginning of the year | | 12,953 | 11,693 | 12,481 | 8,554 |
| Effect of exchange rate changes on cash and cash equivalents | | 119 | (51) | 115 | (51) |
| Cash at the end of the year | 33 | 7,079 | 12,953 | 6,197 | 12,481 |

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies

Ardent Leisure Group (Group or Consolidated Group) is a 'stapled' entity comprising of 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 financial statements for the year ended 30 June 2014 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this 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 (ALL Group).

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

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

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

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

These consolidated 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 following the introduction of new accounting standard AASB 10 Consolidated Financial Statements. 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 financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, these financial statements have also been prepared in accordance with and comply with IFRS as issued by the IASB.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time for the annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*;
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*; and
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

The adoption of AASB 13 *Fair Value Measurement* resulted in additional disclosures and considerations regarding fair value of certain assets and liabilities, as discussed in Note 1 (ab). AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The other standards only affected the disclosures in the notes to the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards may require the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of fair values described in Note 1(f), Note 1(g), Note 1(j), Note 1(m), Note 1(p), Note 1(s)(v), Note 1(s)(vi), Note 1(ab) and Note 1(ac) and assumptions related to deferred tax assets and liabilities, impairment testing of goodwill and Director valuations for some property, plant and equipment and investment properties, no key assumptions concerning the future, or other estimation of uncertainty at the reporting date, have a significant risk of causing material adjustments to the financial statements in the next annual reporting period.

Deficiency of current assets

As at 30 June 2014, the Group and ALL Group had deficiencies of current assets of \$31.9 million (2013: \$28.5 million) and \$26.7 million (2013: \$20.6 million) respectively. Due to the nature of the business, the majority of sales are for cash whereas purchases are on credit resulting in a negative working capital position. Surplus cash is used to repay external loans, resulting in a deficiency of current assets at 30 June 2014. The Group has \$65.7 million (2013: \$102.2 million) of unused loan capacity at 30 June 2014 which can be drawn on as required. The ALL Group has \$256.8 million (2013: \$300.3 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. Refer to Note 24.

(b) Principles of consolidation

As the Trust is deemed to be the parent entity under Australian Accounting Standards, a consolidated financial report has been prepared for the Group as well as a consolidated financial report for the ALL Group. The consolidated financial report of the Group combines the financial report for the Trust and ALL Group for the year. Transactions between the entities have been eliminated in the consolidated financial reports of the Group and ALL Group. Accounting for the Group is carried out in accordance with Australian Accounting Standards.

Controlled entities are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying an equity holding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group (refer to Note 1(ac)).

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ardent Leisure Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate or a jointly controlled entity is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

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

(c) Cash and cash equivalents

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

(d) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for doubtful debts. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the period in which they are identified. A provision for doubtful debts is raised where there is objective evidence that the Group will not collect all amounts due. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

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

(e) Inventories

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

(f) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purposes of letting to produce rental income.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

At each reporting date, the fair values of the investment properties are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager. Fair value is determined assuming a long term property investment. Specific circumstances of the owner are not taken into account.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

Where an independent valuation is obtained, the valuer considers the valuation under both the discounted cash flow (DCF) method and the income capitalisation method, with the adopted value generally being a mid-point of the valuations determined under these methods.

Under the DCF method, a property's fair value is estimated using the explicit assumptions regarding the benefits and liabilities of ownership over the asset's life. The DCF method involves the projection of a series of cash flows on the property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the property.

Under the income capitalisation method, the total income receivable from the property is assessed and this is capitalised in perpetuity to derive a capital value, with allowances for capital expenditure required.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(f) Investment properties (continued)

Where an independent valuation is not obtained, factors taken into account where appropriate, by the Directors in determining fair value may include:

- assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- capitalisation rates used to value the asset, market rental levels and lease expiries;
- changes in interest rates;
- asset replacement values;
- discounted cash flow models;
- available sales evidence; and
- comparisons to valuation professionals performing valuation assignments across the market.

As the fair value method has been adopted for investment properties, the buildings and any component thereof are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.

(g) Property, plant and equipment

Revaluation model

The revaluation model of accounting is used for land and buildings and major rides and attractions. All other classes of property, plant and equipment (PPE) are carried at historic cost. Initially, PPE are measured at cost. For assets carried under the revaluation model, PPE is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Increases in the carrying amounts arising on revaluation of PPE are credited, net of tax, to other reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against the asset revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income Statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset is charged to the Income Statement and depreciation based on the asset's original cost, net of tax, is transferred from the asset revaluation reserve to retained profits.

At each reporting date, the fair values of PPE are assessed by the Manager by reference to independent valuation reports or through appropriate valuation techniques adopted by the Manager. Fair value is determined assuming a long term property investment. Specific circumstances of the owner are not taken into account.

The use of independent valuers is on a progressive basis over a three year period, or earlier, where the Manager believes there may be a material change in the carrying value of the property.

Where an independent valuation is not obtained, factors taken into account where appropriate, by the Directors in determining fair value may include:

- assuming a willing buyer and a willing seller, without duress and an appropriate time to market the property to maximise price;
- information obtained from valuers, sales and leasing agents, market research reports, vendors and potential purchasers;
- capitalisation rates used to value the asset, market rental levels and lease expiries;
- changes in interest rates;
- asset replacement values;
- discounted cash flow models;
- available sales evidence; and
- comparisons to valuation professionals performing valuation assignments across the market.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Depreciation

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

| | 2014 | 2013 |
|-----------------------------------|--------------------|--------------------|
| Buildings | 40 years | 40 years |
| Leasehold improvements | Over life of lease | Over life of lease |
| Major rides and attractions | 20 - 40 years | 20 - 40 years |
| Plant and equipment | 4 - 25 years | 4 - 25 years |
| Furniture, fittings and equipment | 4 - 13 years | 4 - 13 years |
| Motor vehicles | 8 years | 8 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in reserves in respect of those assets to retained profits.

(h) Leases

Where the Group has substantially all the risks and rewards of ownership, leases of property, plant and equipment are classified as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(i) Investments and other financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(j) Assets held for sale

Assets are classified as held for sale and stated at the lower of their carrying amount, and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from the other assets in the Balance Sheet.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(k) Livestock

Livestock is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the animals. The fair value of the livestock is not materially different to its carrying value.

Depreciation on livestock is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over the useful lives of the assets which range from 5 - 50 years (2013: 5 - 50 years).

(l) Intangible assets

Brands

Brands acquired are amortised on a straight-line basis over the period during which benefits are expected to be received, which is between 10 - 13 years (2013: 10 years).

Customer relationships

Customer relationships acquired are amortised over the period during which the benefits are expected to be received, which is four years (2013: four years). The amortisation charge is weighted towards the first year of ownership where the majority of economic benefits arise.

Other intangible assets

Liquor licences are amortised over the length of the licences which are between 10 - 16 years (2013: 10 - 16 years), depending on the length of the licence. Software is amortised on a straight-line basis over the period during which the benefits are expected to be received, which is between 5 - 7 years (2013: nil).

Goodwill

Goodwill is measured as described in Note 1(ac). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing (refer to Note 1(m)). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (refer to Note 37).

(m) Impairment of assets

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

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

(n) Payables

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(o) Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Finance leases are recognised as interest bearing liabilities to the extent that the Group retains substantially all the risks and rewards of ownership.

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

(p) Derivatives

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 14. Movements in the cash flow hedge reserve in equity are shown in Note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months. They are classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(i) *Derivatives that do not qualify for hedge accounting*

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

(ii) *Cash flow hedges*

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

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

(iii) *Net investment hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in other comprehensive income and accumulated in reserves in equity. This amount will be reclassified to the Income Statement on disposal of the foreign operation. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(q) Borrowing costs

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

Borrowing costs include interest on short term and long term borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. The average capitalisation rate used was 4.37% per annum (2013: 5.05% per annum) for Australian dollar debt and 1.51% per annum (2013: nil per annum) for US dollar debt.

(r) Provisions

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

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

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

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Where amounts are not expected to be settled within 12 months, expected future payments are discounted to their net present value using market yields at the reporting date on high quality corporate bonds, except when there is no deep market in which case market yields on national government bonds are used, with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows.

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

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

Notes to the Financial Statements for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(v) Long Term Incentive Plan (LTIP)

Australian employees

Since 1 July 2009, long term incentives have been provided to certain executives under the LTIP. Under the terms of the LTIP and the initial grant, employees may be granted performance rights, of which one third will vest two years after grant date, one third will vest three years after grant date and one third will vest four years after grant date. The percentage of performance rights which will vest is subject to the performance of the Group relative to its peer group, which is the ASX Small Industrials Index. The first set of performance rights were granted under the scheme on 4 December 2009, with the first vesting date being the day after the full year results announcement for the year ended 30 June 2011.

The characteristics of the LTIP indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the LTIP is accounted for as a cash settled share-based payment.

The fair value of the performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights at grant date is determined using a Monte Carlo simulation valuation model and then recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

The fair value of the performance rights granted under the LTIP is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of the performance rights is determined at each reporting date using a Monte Carlo simulation valuation model, with the movement in fair value of the liability being recognised in the Income Statement.

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

US employees

For US executives eligible for the LTIP, a shadow performance rights scheme has been set up whereby a cash payment is made instead of performance rights being granted. At the end of the vesting period for each grant of performance rights, a calculation is made of the number of performance rights which would have been granted and payment is made based on the Group stapled security volume weighted average price (VWAP) for the five trading days immediately following the vesting date. Due to the nature of the scheme, this scheme is considered to be a cash settled share-based payment under AASB 2.

The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model. This is recorded as a liability, with the difference in the movement in the fair value of the financial liability being recorded through the Income Statement.

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

(vi) Deferred Short Term Incentive Plan (DSTI)

Australian employees

Since 1 July 2010, long term incentives have been provided to executives under the DSTI. Under the terms of the DSTI, employees may be granted DSTI performance rights, of which one half will vest one year after grant date and one half will vest two years after grant date so long as the executive remains employed by the Group. The first set of performance rights were granted under the scheme on 16 December 2010, with the first vesting date being the day after the full year results announcement for the year ended 30 June 2011.

The characteristics of the DSTI indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment as the holders are entitled to the securities as long as they meet the DSTI's service criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the DSTI is accounted for as a cash settled share-based payment.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(vi) **Deferred Short Term Incentive Plan (DSTI) (continued)**

Australian employees (continued)

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

The fair value of the performance rights granted under the DSTI is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model, with the movement in fair value of the liability being recognised in the Income Statement.

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

US employees

For US executives eligible for the DSTI, a shadow performance rights scheme has been set up whereby a cash payment is made instead of performance rights being granted. At the end of the vesting period for each grant of performance rights, a calculation is made of the number of performance rights which would have been granted and payment is made based on the Group VWAP for the five trading days immediately following the vesting date. Due to the nature of the scheme, this scheme is considered to be a cash settled share-based payment under AASB 2.

The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model. This is recorded as a liability with the difference in the movement in the fair value of the financial liability being recorded through the Income Statement.

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

(t) Tax

The Trust is not subject to income tax. However, both of its controlled entities, Ardent Leisure (NZ) Trust and ALL Group, are subject to income tax.

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its income, as determined under the Trust Constitution, is fully distributed to unit holders, by way of cash or reinvestment. The liability for capital gains tax that may otherwise arise if the Australian properties were sold is not accounted for in these financial statements, as the Trust expects to distribute such amounts to its unit holders.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(t) Tax (continued)

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

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

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

Ardent Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

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

(u) Goods and services tax (GST)

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

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

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

(v) Equity

Incremental costs directly attributable to the issue of new stapled securities or options are recognised directly in equity as a reduction in the proceeds of stapled securities to which the costs relate. Incremental costs directly attributable to the issue of new stapled securities or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Reserves

In accordance with the Trust Constitution, amounts may be transferred from reserves or contributed equity to fund distributions.

(x) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that further economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from rendering of services including health club memberships, theme park and SkyPoint entry and bowling games is recognised when the outcome can be reliably measured and the service has taken place. Where health club membership is for a fixed period and paid in advance, the revenue is recognised on a straight-line basis over the membership period. Revenue relating to theme park annual passes is recognised as the passes are used.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(x) Revenue (continued)

(ii) **Sale of goods**

Revenue from sale of goods including merchandise and food and beverage items is recognised when the risks and rewards of ownership have passed to the buyer.

(iii) **Rental revenue**

Rental income represents income earned from the sub-lease of investment properties leased by the Group, and is brought to account on a straight-line basis over the lease term.

(iv) **Interest income**

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

(y) Foreign currency translation

(i) **Functional and presentation currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(ii) **Transactions and balances**

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

(iii) **Foreign operations**

Assets and liabilities of foreign controlled entities are translated at exchange rates ruling at reporting date while income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign controlled entities are taken directly to the foreign currency translation reserve. On consolidation, exchange differences on loans denominated in foreign currencies, where the loan is considered part of the net investment in that foreign operation, are taken directly to the foreign currency translation reserve. At 30 June 2014, the spot rate used was A\$1.00 = NZ\$1.0762 (2013: A\$1.00 = NZ\$1.1800) and A\$1.00 = US\$0.9430 (2013: A\$1.00 = US\$0.9127). The average spot rate during the year ended 30 June 2014 was A\$1.00 = NZ\$1.1021 (2013: A\$1.00 = NZ\$1.2454) and A\$1.00 = US\$0.9113 (2013: A\$1.00 = US\$1.0207).

(z) Segment information

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

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

The main income statement items used by management to assess each of the divisions are divisional revenue 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 rent, IFRS depreciation and amortisation of intangible assets and other non-recurring realised items. As shown in Note 11, these items are excluded from management's definition of core earnings.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(aa) Earnings per stapled security

Basic earnings per stapled security are determined by dividing profit by the weighted average number of ordinary stapled securities on issue during the period.

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

(ab) Fair value estimation

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

(ac) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(ac) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Goodwill acquired is not deductible for tax.

(ad) Dividends/distributions

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

(ae) Convertible notes

A subsidiary of ALL, Ardent Leisure Note Issuer Pty Limited, has issued convertible notes to the Trust. Due to the terms associated with these notes, the notes have been classified as equity in the financial statements of the ALL Group. Given that this equity is not payable to the shareholders of ALL, the notes are included in equity attributable to non-controlling interests.

(af) Parent entity financial information

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

(i) Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and jointly controlled entities are accounted for at cost in the financial statements of the parent entities. Dividends received from associates and jointly controlled entities are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (continued)

(af) Parent entity financial information (continued)

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the parent entity of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ag) 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 July 2014 but which the Group has not yet adopted. Based on a review of these standards, the majority of the standards yet to be adopted are not expected to have a significant impact on the financial statements of the Group. The Group's and the parent entity'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 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 parent entity's financial statements. The Group does 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.

Early adoption of standards

The Group has elected to adopt AASB 2013-3 Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets*. This standard removes a requirement to disclose the recoverable amount of all cash generating units that contain goodwill or identifiable assets with indefinite lives, regardless of impairment. This requirement was introduced by AASB 13 and would otherwise have become applicable from 1 January 2013.

The Group has not elected to apply any other pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

(ah) Rounding

The Group is a registered scheme of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Notes to the Financial Statements for the year ended 30 June 2014

2. Ardent Leisure Trust and Ardent Leisure Limited formation

The Trust was established on 6 February 1998. On 23 December 2005, the Manager executed a supplemental deed poll to amend the Trust Constitution. The amendments removed the 80 year life of the Trust, to enable the units on issue to be classified as equity under Australian Accounting Standards. ALL was incorporated on 28 April 2003. The Manager and ALL entered into the stapling deed effective 1 July 2003.

3. Revenue from operating activities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| Revenue from services | 365,085 | 328,958 | 365,085 | 328,958 |
| Revenue from sale of goods | 102,070 | 92,487 | 102,070 | 92,487 |
| Revenue from rentals | 32,108 | 26,896 | 32,108 | 26,896 |
| Other revenue | 440 | 562 | 440 | 562 |
| Revenue from operating activities | 499,703 | 448,903 | 499,703 | 448,903 |

4. Borrowing costs

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|-----------------------------------|---|---|-----------------------------|-----------------------------|
| Borrowing costs paid or payable | 11,674 | 12,765 | 8,985 | 7,531 |
| Less: Capitalised borrowing costs | (344) | (477) | (219) | - |
| Borrowing costs expensed | 11,330 | 12,288 | 8,766 | 7,531 |

For details of the fair value of borrowings, refer to Note 39 (c).

5. Property expenses

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|-----------------------------|---|---|-----------------------------|-----------------------------|
| Landlord rent and outgoings | 74,870 | 64,474 | 138,302 | 120,241 |
| Insurance | 607 | 699 | - | - |
| Rates | 2,541 | 2,755 | - | - |
| Land tax | 899 | 730 | - | - |
| Other | 622 | 91 | - | - |
| | 79,539 | 68,749 | 138,302 | 120,241 |

Notes to the Financial Statements for the year ended 30 June 2014

6. Net (loss)/gain from derivative financial instruments

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| (Loss)/gain on derivatives - unrealised | (613) | 339 | - | - |
| Gain on derivatives - realised | - | 263 | - | - |
| | (613) | 602 | - | - |

7. Management fees

The Manager of the Trust is Ardent Leisure Management Limited.

The Manager's registered office and principal place of business are Level 16, 61 Lavender Street, Milsons Point, NSW 2061.

(a) Base management fee

The management fee is based on an allocation of costs incurred by ALL and its controlled entities to manage the Trust but is eliminated in the aggregated results of the Group.

(b) Management fee calculation

The management fee earned by the Manager during the year is detailed as follows:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---------------------|---|---|-----------------------------|-----------------------------|
| Base management fee | - | - | 1,200 | 1,200 |
| | - | - | 1,200 | 1,200 |

Notes to the Financial Statements for the year ended 30 June 2014

8. Other expenses

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Audit fees | 585 | 552 | 397 | 360 |
| Consulting fees | 878 | 528 | 878 | 528 |
| Consumables | 2,612 | 2,737 | 2,612 | 2,737 |
| Custodian fees | 109 | 113 | - | - |
| Electricity | 14,325 | 13,978 | 14,325 | 13,978 |
| Foreign exchange loss | 71 | - | 25 | - |
| Fuel and oil | 1,076 | 1,158 | 1,076 | 1,158 |
| Insurance | 2,424 | 2,367 | 2,424 | 2,367 |
| Legal fees | 382 | 388 | 368 | 357 |
| Merchant fees | 8,210 | 7,102 | 8,210 | 7,102 |
| Motor vehicles | 1,048 | 1,130 | 1,048 | 1,130 |
| Permits and fees | 4,528 | 4,216 | 4,492 | 4,216 |
| Printing, stationery and postage | 2,643 | 2,691 | 2,643 | 2,691 |
| Registry fees | 163 | 125 | 163 | 160 |
| Stapled security holder communication costs | 167 | 256 | 167 | 268 |
| Stock exchange costs | 114 | 83 | 114 | 79 |
| Taxation fees | 210 | 98 | 187 | 76 |
| Telephone | 1,872 | 1,692 | 1,872 | 1,692 |
| Training | 1,395 | 1,176 | 1,395 | 1,176 |
| Travel costs | 1,808 | 1,949 | 1,808 | 1,949 |
| Valuation fees | 114 | 51 | - | - |
| Other | 898 | 688 | 937 | 520 |
| | 45,632 | 43,078 | 45,141 | 42,544 |

9. Remuneration of auditor

During the financial year, the auditor of the Group, PricewaterhouseCoopers (PwC), earned the following remuneration:

| | Consolidated Group 2014 \$ | Consolidated Group 2013 \$ | ALL Group 2014 \$ | ALL Group 2013 \$ |
|---|-------------------------------------|-------------------------------------|-------------------------|-------------------------|
| Audit and other assurance services - PwC Australia | 506,360 | 501,000 | 317,777 | 308,940 |
| Audit and other assurance services - related practices of PwC Australia | 78,477 | 51,496 | 78,477 | 51,496 |
| Taxation services - PwC Australia | 23,192 | 22,372 | - | - |
| Taxation services - related practices of PwC Australia | 186,923 | 75,937 | 186,923 | 75,937 |
| Other services - PwC Australia | 1,500 | 8,100 | 1,500 | 8,100 |
| | 796,452 | 658,905 | 584,677 | 444,473 |

Notes to the Financial Statements

for the year ended 30 June 2014

10. Income tax expense

(a) Income tax expense

| | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|------|---|---|-----------------------------|-----------------------------|
| Current tax | | 4,290 | 1,408 | 4,200 | 1,361 |
| Deferred tax | | (1,532) | 1,778 | (1,532) | 1,778 |
| Over provided in prior year | | (765) | (38) | (765) | (38) |
| | | 1,993 | 3,148 | 1,903 | 3,101 |
| Income tax expense is attributable to: | | | | | |
| Profit from continuing operations | | 1,993 | 3,148 | 1,903 | 3,101 |
| Deferred income tax (benefit)/expense included in income tax expense comprises: | | | | | |
| Decrease/(increase) in deferred tax assets | 22 | 328 | (2,434) | 328 | (2,434) |
| (Decrease)/increase in deferred tax liabilities | 27 | (1,860) | 4,212 | (1,860) | 4,212 |
| | | (1,532) | 1,778 | (1,532) | 1,778 |

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

| | | | | | |
|---|--|--------------|--------------|--------------|---------------|
| Profit from continuing operations before income tax expense | | 51,878 | 39,491 | 7,683 | 10,734 |
| Less: Profit from the trusts | | (48,330) | (33,444) | - | - |
| Prima facie profit | | 3,548 | 6,047 | 7,683 | 10,734 |
| Tax at the Australian tax rate of 30% (2013: 30%) | | 1,064 | 1,814 | 2,305 | 3,220 |
| Tax effects of amounts which are not deductible/(taxable) in calculating taxable income: | | | | | |
| Entertainment | | 54 | 48 | 54 | 48 |
| Non-deductible depreciation and amortisation | | 2,569 | 2,076 | - | - |
| Sundry items | | (1,311) | (566) | (77) | 54 |
| Employee security plans | | 181 | - | 181 | - |
| Business acquisition costs | | 78 | 482 | 78 | 482 |
| Gain on acquisition | | - | (784) | - | (784) |
| Foreign exchange conversion differences | | (53) | (60) | (53) | (60) |
| US State taxes | | (246) | (162) | (246) | (162) |
| Withholding tax and Research & Development credit | | (63) | - | (63) | - |
| Difference in overseas tax rates | | 485 | 338 | 489 | 341 |
| Over provided in prior year | | (765) | (38) | (765) | (38) |
| Income tax expense | | 1,993 | 3,148 | 1,903 | 3,101 |

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

| | | | | | |
|---|----|-------------|----------|-------------|----------|
| Unrealised loss on derivative financial instruments recognised in the cash flow hedge reserve | 30 | (11) | - | (11) | - |
| | | (11) | - | (11) | - |

Notes to the Financial Statements for the year ended 30 June 2014

10. Income tax expense (continued)

(d) Unrecognised temporary differences

There are no unrecognised temporary differences as at 30 June 2014 (30 June 2013: nil).

(e) Tax consolidation legislation

ALL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 8 February 2005. The accounting policy in relation to this legislation is set out in Note 1(t).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, ALL.

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

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

11. Earnings per security/share

| | Consolidated Group 2014 | Consolidated Group 2013 | ALL Group 2014 | ALL Group 2013 |
|---|-------------------------------|-------------------------------|-------------------|-------------------|
| Basic earnings per security/share (cents) | 12.13 | 9.32 | 1.25 | 1.86 |
| Diluted earnings per security/share (cents) | 12.05 | 9.24 | 1.24 | 1.84 |
| Core earnings per security (cents) | 14.40 | 13.14 | N/A | N/A |
| Diluted core earnings per security (cents) | 14.30 | 13.04 | N/A | N/A |
| Earnings used in the calculation of basic and diluted earnings per security/share (\$'000) | 49,002 | 35,617 | 5,056 | 7,093 |
| Earnings used in the calculation of core earnings per security (refer to calculation in table below) (\$'000) | 58,153 | 50,257 | 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) | 403,868 | 382,334 | 403,868 | 382,334 |
| Weighted average number of stapled securities held by ALL employees under employee share plans (refer to Note 29) ('000) | 2,848 | 3,192 | 2,848 | 3,192 |
| Weighted average number of stapled securities on issue used in the calculation of diluted earnings per security/share ('000) | 406,716 | 385,526 | 406,716 | 385,526 |

Notes to the Financial Statements

for the year ended 30 June 2014

11. 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 year. 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 years.

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 2014 \$'000 | Consolidated Group 2013 \$'000 |
|---|---|---|
| Profit used in calculating earnings per stapled security | 49,002 | 35,617 |
| <i>Unrealised items</i> | | |
| - Unrealised loss/(gain) on derivative financial instruments | 613 | (339) |
| - Valuation gains - investment properties | - | (90) |
| - Valuation gains - property, plant and equipment | (8,590) | - |
| <i>Non-cash items</i> | | |
| - Straight lining of fixed rent increases | 1,546 | 1,311 |
| - IFRS depreciation ⁽¹⁾ | 8,562 | 6,920 |
| - Amortisation of intangible assets | 6,333 | 7,739 |
| <i>One off realised items</i> | | |
| - Pre-opening expenses | 2,579 | 2,527 |
| - Business acquisition costs | 277 | 1,507 |
| - Gain on acquisition | - | (2,613) |
| - Gain on sale and leaseback of family entertainment centre | (379) | - |
| - Loss on closure of bowling centre | 1,579 | - |
| Tax impact of above adjustments | (3,369) | (2,322) |
| Core earnings | 58,153 | 50,257 |

(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.

Notes to the Financial Statements for the year ended 30 June 2014

12. Distributions and dividends paid and payable

(a) Consolidated Group

The following distributions were paid and payable by the Trust:

| | Distribution cents per stapled security | Total amount \$'000 | Tax deferred % | CGT concession amount % | Taxable % |
|---|--|---------------------------|----------------------|----------------------------------|--------------|
| 2014 distributions for the half year ended: | | | | | |
| 31 December 2013 | 6.80 | 27,544 | | | |
| 30 June 2014* | 6.20 | 25,113 | | | |
| | 13.00 | 52,657 | 35.17 | - | 64.83 |
| 2013 distributions for the half year ended: | | | | | |
| 31 December 2012 | 6.60 | 26,253 | | | |
| 30 June 2013** | 5.40 | 21,481 | | | |
| | 12.00 | 47,734 | 68.70 | - | 31.30 |

* The distribution of 6.20 cents per stapled security for the half year ended 30 June 2014 was not declared prior to 30 June 2014. Refer to Note 44.

** The distribution of 5.40 cents per stapled security for the half year ended 30 June 2013 was not declared prior to 30 June 2013.

(b) ALL Group

During the year, a subsidiary of ALL paid to the Trust \$3.9 million (2013: \$3.6 million) relating to convertible notes which are classified as equity under Australian Accounting Standards. No dividends have been paid or provided for during the current or previous financial year.

(c) Franking credits

The tax consolidated group has franking credits of \$6,709,050 (2013: \$4,640,856). It is the tax consolidated group's intention to assign these franking credits to dividends paid to the Trust by its subsidiaries and then distribute these franking credits to security holders where possible.

13. Receivables

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|------------------------------|---|---|-----------------------------|-----------------------------|
| Trade receivables | 7,938 | 7,658 | 7,938 | 7,658 |
| Receivable from the Trust | - | - | 346 | 2,241 |
| Provision for doubtful debts | (522) | (609) | (522) | (609) |
| | 7,416 | 7,049 | 7,762 | 9,290 |

The Group has recognised an expense of \$121,948 in respect of bad and doubtful trade receivables during the year ended 30 June 2014 (2013: \$46,000). The expense has been included in other expenses in the Income Statement.

Notes to the Financial Statements for the year ended 30 June 2014

14. Derivative financial instruments

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|------------------------------------|---|---|-----------------------------|-----------------------------|
| Current assets | | | | |
| Forward foreign exchange contracts | - | 575 | - | - |
| | - | 575 | - | - |
| Current liabilities | | | | |
| Forward foreign exchange contracts | 11 | - | - | - |
| Interest rate swaps | 448 | 584 | - | - |
| | 459 | 584 | - | - |
| Non-current liabilities | | | | |
| Forward foreign exchange contracts | 9 | - | - | - |
| Interest rate swaps | 995 | 1,307 | 48 | - |
| | 1,004 | 1,307 | 48 | - |

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\$4.6 million (2013: A\$5.2 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\$100.0 million (2013: \$120.0 million) and US\$30.0 million (2013: \$nil) that entitle it to receive interest, at quarterly intervals, at a floating rate on a notional principal and obliges 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 \$40.0 million (2013: \$60.0 million) with start date of September 2015 and end date of June 2017.

With the exception of one \$40.0 million swap, all interest rate swap contracts 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. For the one swap which does not qualify as a cash flow hedge, the changes in fair value are recorded directly 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 and the ALL Group.

The table below shows the maturity profile of the interest rate swaps:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|-------------------|---|---|-----------------------------|-----------------------------|
| Less than 1 year | 60,000 | 80,000 | - | - |
| 1 - 2 years | 40,000 | 60,000 | - | - |
| 2 - 3 years | 71,813 | 40,000 | 31,813 | - |
| 3 - 4 years | - | - | - | - |
| 4 - 5 years | - | - | - | - |
| More than 5 years | - | - | - | - |
| | 171,813 | 180,000 | 31,813 | - |

Notes to the Financial Statements for the year ended 30 June 2014

15. Inventories

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--------------------------|---|---|-----------------------------|-----------------------------|
| Goods held for resale | 9,398 | 9,800 | 9,398 | 9,800 |
| Provision for diminution | (20) | (20) | (20) | (20) |
| | 9,378 | 9,780 | 9,378 | 9,780 |

There was no reversal of write-downs of inventories recognised as a benefit during the year ended 30 June 2014 (2013: \$nil).

16. Property held for sale

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|------------------------------|---|---|-----------------------------|-----------------------------|
| Family entertainment centres | 10,650 | 4,210 | 10,650 | 4,210 |
| | 10,650 | 4,210 | 10,650 | 4,210 |

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Opening balance | 4,210 | - | 4,210 | - |
| Transfer from property, plant and equipment | 9,741 | 4,210 | 9,741 | 4,210 |
| Additions | 6,725 | - | 6,725 | - |
| Foreign exchange movements | (168) | - | (168) | - |
| Disposals | (9,858) | - | (9,858) | - |
| Closing balance | 10,650 | 4,210 | 10,650 | 4,210 |

During the year, the Group disposed of a family entertainment centre at Tempe, Arizona, being previously held for sale. Tempe was disposed of through a sale and leaseback transaction. During the year, the Group also reclassified property, plant and equipment relating to family entertainment centres under construction in San Antonio, Texas and Oklahoma City, Oklahoma, as the carrying amount will be recovered principally through sale and leaseback transactions rather than continuing use, and their sale is considered highly probable. These assets are not depreciated and are held at the lower of cost or fair value.

17. Other assets

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|-----------------|---|---|-----------------------------|-----------------------------|
| Prepayments | 6,685 | 8,097 | 3,186 | 4,651 |
| Accrued revenue | 2,252 | 1,305 | 2,252 | 1,305 |
| | 8,937 | 9,402 | 5,438 | 5,956 |

Notes to the Financial Statements

for the year ended 30 June 2014

18. Investment properties

Consolidated Group

| Property | Note | Valuer | Cost 2014 \$'000 | Cumulative revaluation (decrements)/ increments 2014 \$'000 | Consolidated book value 2014 \$'000 | Cost 2013 \$'000 | Cumulative revaluation (decrements)/ increments 2013 \$'000 | Consolidated book value 2013 \$'000 |
|---------------------------|------|--------|------------------------|--|---|------------------------|--|---|
| Excess land at Dreamworld | (a) | (1) | 2,874 | (462) | 2,412 | 2,874 | (462) | 2,412 |
| Marinas | (b) | (2) | 73,638 | 19,820 | 93,458 | 73,000 | 19,820 | 92,820 |
| Total | | | 76,512 | 19,358 | 95,870 | 75,874 | 19,358 | 95,232 |

(a) The remaining excess land has been valued by Directors at \$2.4 million (2013: \$2.4 million).

(b) The total carrying value of d'Albora Marinas (including plant and equipment of \$7.8 million (2013: \$6.6 million)) is \$101.3 million (2013: \$99.4 million). The fair value was assessed to be \$101.3 million (2013: \$99.4 million).

(1) Peter Bouwmeester, CBRE Valuations Pty Limited, independently valued the property at 31 January 2012.

(2) Adam Ellis, LandMark White (Sydney) Pty Limited, independently valued the properties at 30 June 2014.

Refer to Note 39(b) for information on the valuation techniques used to derive the fair value of the investment properties.

A reconciliation of the carrying amount of investment properties at the beginning and end of the current year is set out below:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Carrying amount at the beginning of the year | 95,232 | 94,915 | - | - |
| Additions | 638 | 227 | - | - |
| Revaluation increments | - | 90 | - | - |
| Carrying amount at the end of the year | 95,870 | 95,232 | - | - |

Amounts recognised in the Income Statement for investment properties:

| | | | | |
|---|---------|---------|---|---|
| Revenue from investment properties | 18,186 | 18,350 | - | - |
| Property expenses incurred on investment properties | (2,548) | (2,347) | - | - |

At 30 June 2014, the Group had receivables from third parties totalling \$648,709 (2013: \$566,478) relating to leases on its investment properties.

Notes to the Financial Statements for the year ended 30 June 2014

19. Property, plant and equipment

Consolidated Group

| Property | Note | Cost less accumulated depreciation 2014 \$'000 | Cumulative revaluation increments/ (decrements) 2014 \$'000 | Consolidated book value 2014 \$'000 | Cost less accumulated depreciation 2013 \$'000 | Cumulative revaluation increments/ (decrements) 2013 \$'000 | Consolidated book value 2013 \$'000 |
|------------------------------|---------|--|--|---|--|--|--|
| Theme parks | (1) (2) | 212,603 | 34,811 | 247,414 | 208,581 | 22,616 | 231,197 |
| Marinas | (3) | 7,806 | - | 7,806 | 6,574 | - | 6,574 |
| Bowling centres | (4) | 97,335 | 1,900 | 99,235 | 101,967 | 1,900 | 103,867 |
| Family entertainment centres | (5) | 78,446 | (86) | 78,360 | 46,984 | (86) | 46,898 |
| Health clubs | (6) | 74,605 | - | 74,605 | 70,122 | - | 70,122 |
| Other | (7) | 2,742 | - | 2,742 | 3,257 | - | 3,257 |
| Total | | 473,537 | 36,625 | 510,162 | 437,485 | 24,430 | 461,915 |

- (1) The book value of Dreamworld and WhiteWater World land & buildings and major rides and attractions (including intangible assets of \$0.8 million (2013: \$0.8 million)) is \$227.0 million (2013: \$216.5 million). In an independent valuation performed at 30 June 2014 by Jones Lang LaSalle, the fair value for these assets was assessed to be \$227.0 million (2013: \$216.5 million). The Directors have valued other property, plant & equipment of Dreamworld & WhiteWater World at 30 June 2014 at \$2.3 million (2013: 0.1 million).
- (2) The book value of SkyPoint (including intangible assets of \$3.6 million (2013: \$3.6 million)) is \$22.5 million (2013: \$19.0 million). In an independent valuation performed at 30 June 2014, the fair value for SkyPoint was assessed to be \$22.5 million (2013: \$19.0 million).
- (3) The Directors have valued the property, plant and equipment of d'Albora Marinas at \$7.8 million (2013: \$6.6 million).
- (4) The one remaining freehold building was independently valued at 30 June 2010 at \$1.9 million. At 30 June 2014, the Directors assessed the fair value of the freehold building to be \$1.9 million (2013: \$1.9 million) and the remaining property, plant and equipment to be \$97.3 million (2013: \$102.0 million).
- (5) At 30 June 2014, the Directors assessed the fair value of the property, plant and equipment in its family entertainment centres to be \$70.7 million (2013: \$47.0 million).
- (6) The Directors have valued the property, plant and equipment of Goodlife at 30 June 2014 at \$74.6 million (2013: \$70.1 million).
- (7) The fair value of other property, plant and equipment was assessed by the Directors to be \$2.7 million at 30 June 2014 (2013: \$3.3 million).

Refer to Note 39(b) for information on the valuation techniques used to derive the fair value of the land and buildings and major rides and attractions.

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

| | Land and buildings \$'000 | Major rides and attractions \$'000 | Plant and equipment \$'000 | Plant and equipment under finance lease \$'000 | Furniture, fittings and equipment \$'000 | Motor vehicles \$'000 | Total \$'000 |
|---|---------------------------------|---|----------------------------------|---|---|-----------------------------|-----------------|
| Consolidated Group - 2014 | | | | | | | |
| Carrying amount at the beginning of the year | 248,679 | 64,994 | 133,646 | 582 | 13,630 | 384 | 461,915 |
| Additions | 39,629 | 1,524 | 31,399 | - | 6,660 | 25 | 79,237 |
| Acquired through business combinations | 1,591 | - | 1,368 | - | 208 | - | 3,167 |
| Transfer to property held for sale | (9,741) | - | - | - | - | - | (9,741) |
| Disposals | (815) | (829) | (470) | - | (68) | (30) | (2,212) |
| Depreciation | (10,473) | (2,110) | (20,236) | (90) | (2,574) | (105) | (35,588) |
| Foreign exchange movements | (1,279) | - | (799) | - | 6 | - | (2,072) |
| Revaluation increments | 15,456 | - | - | - | - | - | 15,456 |
| Carrying amount at the end of the year | 283,047 | 63,579 | 144,908 | 492 | 17,862 | 274 | 510,162 |

Notes to the Financial Statements for the year ended 30 June 2014

19. Property, plant and equipment (continued)

| | Land and buildings \$'000 | Major rides and attractions \$'000 | Plant and equipment \$'000 | Plant and equipment under finance lease \$'000 | Furniture, fittings and equipment \$'000 | Motor vehicles \$'000 | Total \$'000 |
|---|---------------------------------|---|----------------------------------|---|---|-----------------------------|-----------------|
| Consolidated Group - 2013 | | | | | | | |
| Carrying amount at the beginning of the year | 216,813 | 65,279 | 110,084 | 673 | 9,232 | 328 | 402,409 |
| Additions | 21,791 | 1,971 | 32,784 | - | 5,929 | 137 | 62,612 |
| Acquired through business combinations | 11,374 | - | 3,866 | - | 495 | 55 | 15,790 |
| Transfer to property held for sale | (4,210) | - | - | - | - | - | (4,210) |
| Disposals | - | (3) | (227) | - | - | - | (230) |
| Depreciation | (8,177) | (2,253) | (16,712) | (91) | (2,029) | (136) | (29,398) |
| Foreign exchange movements | 1,985 | - | 3,851 | - | 3 | - | 5,839 |
| Revaluation increments | 9,103 | - | - | - | - | - | 9,103 |
| Carrying amount at the end of the year | 248,679 | 64,994 | 133,646 | 582 | 13,630 | 384 | 461,915 |

| | Land and buildings \$'000 | Plant and equipment \$'000 | Plant and equipment under finance lease \$'000 | Total \$'000 |
|---|---------------------------------|----------------------------------|--|-----------------|
| ALL Group - 2014 | | | | |
| Carrying amount at the beginning of the year | 28,056 | 54,812 | 582 | 83,450 |
| Additions | 35,079 | 30,433 | - | 65,512 |
| Acquired through business combinations | - | 1,576 | - | 1,576 |
| Transfer to property held for sale | (9,741) | - | - | (9,741) |
| Disposals | (2) | (514) | - | (516) |
| Depreciation | (1,641) | (12,821) | (90) | (14,552) |
| Foreign exchange movements | (1,314) | (952) | - | (2,266) |
| Carrying amount at the end of the year | 50,437 | 72,534 | 492 | 123,463 |

| | Land and buildings \$'000 | Plant and equipment \$'000 | Plant and equipment under finance lease \$'000 | Total \$'000 |
|---|---------------------------------|----------------------------------|--|-----------------|
| ALL Group - 2013 | | | | |
| Carrying amount at the beginning of the year | 5,823 | 36,105 | 673 | 42,601 |
| Additions | 14,133 | 19,995 | - | 34,128 |
| Acquired through business combinations | 11,374 | 4,416 | - | 15,790 |
| Transfer to property held for sale | (4,210) | - | - | (4,210) |
| Disposals | - | (209) | - | (209) |
| Depreciation | (1,017) | (9,227) | (91) | (10,335) |
| Foreign exchange movements | 1,953 | 3,732 | - | 5,685 |
| Carrying amount at the end of the year | 28,056 | 54,812 | 582 | 83,450 |

Notes to the Financial Statements for the year ended 30 June 2014

20. Livestock

Livestock comprises wildlife animals housed at the Dreamworld site.

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--------------------------------|---|---|-----------------------------|-----------------------------|
| At 1 July | | | | |
| Cost | 828 | 828 | 828 | 828 |
| Accumulated depreciation | (523) | (475) | (523) | (475) |
| Net book amount | 305 | 353 | 305 | 353 |
| Year ended 30 June | | | | |
| Opening net book amount | 305 | 353 | 305 | 353 |
| Additions | 81 | - | 81 | - |
| Disposals | (46) | - | (46) | - |
| Depreciation | (40) | (48) | (40) | (48) |
| Closing net book amount | 300 | 305 | 300 | 305 |
| At 30 June | | | | |
| Cost | 863 | 828 | 863 | 828 |
| Accumulated depreciation | (563) | (523) | (563) | (523) |
| Net book amount | 300 | 305 | 300 | 305 |

21. Intangible assets

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---------------------------------|---|---|-----------------------------|-----------------------------|
| Customer relationships at cost | 29,812 | 28,652 | 29,812 | 28,652 |
| Accumulated amortisation | (24,697) | (19,058) | (24,697) | (19,058) |
| | 5,115 | 9,594 | 5,115 | 9,594 |
| Brands at cost | 10,850 | 6,539 | 10,850 | 6,539 |
| Accumulated amortisation | (4,454) | (3,760) | (4,454) | (3,760) |
| | 6,396 | 2,779 | 6,396 | 2,779 |
| Other intangible assets at cost | 3,448 | 2,080 | 2,020 | 652 |
| Accumulated amortisation | (1,960) | (1,878) | (532) | (450) |
| | 1,488 | 202 | 1,488 | 202 |
| Goodwill at cost | 199,795 | 195,770 | 199,795 | 195,770 |
| Accumulated impairment charge | (11,557) | (11,557) | (11,557) | (11,557) |
| | 188,238 | 184,213 | 188,238 | 184,213 |
| Total intangible assets | 201,237 | 196,788 | 201,237 | 196,788 |

Notes to the Financial Statements for the year ended 30 June 2014

21. Intangible assets (continued)

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--------------------------------|---|---|-----------------------------|-----------------------------|
| Customer relationships | | | | |
| Opening net book amount | 9,594 | 3,389 | 9,594 | 3,389 |
| Additions | 1,160 | 13,290 | 1,160 | 13,290 |
| Amortisation | (5,639) | (7,085) | (5,639) | (7,085) |
| Closing net book amount | 5,115 | 9,594 | 5,115 | 9,594 |
| Brands | | | | |
| Opening net book amount | 2,779 | 3,433 | 2,779 | 3,433 |
| Additions | 4,311 | - | 4,311 | - |
| Amortisation | (694) | (654) | (694) | (654) |
| Closing net book amount | 6,396 | 2,779 | 6,396 | 2,779 |
| Other intangible assets | | | | |
| Opening net book amount | 202 | 320 | 202 | 221 |
| Additions | 1,368 | - | 1,368 | - |
| Amortisation | (82) | (118) | (82) | (19) |
| Closing net book amount | 1,488 | 202 | 1,488 | 202 |
| Goodwill | | | | |
| Opening net book amount | 184,213 | 132,696 | 184,213 | 132,696 |
| Additions | 5,087 | 46,550 | 5,087 | 46,550 |
| Foreign exchange movements | (1,062) | 4,967 | (1,062) | 4,967 |
| Closing net book amount | 188,238 | 184,213 | 188,238 | 184,213 |
| Total intangible assets | 201,237 | 196,788 | 201,237 | 196,788 |

Customer relationships

Customer relationships relate to the relationships with health club members which were acquired as part of the various acquisitions of health clubs.

Brands

The brands relate to the Goodlife brand acquired in September 2007 along with the distribution agreement for the use of the Hypoxi brand in March 2014 (refer to Note 32).

Other intangible assets

Other intangible assets represent registered trademarks associated with Dreamworld operations, intellectual property associated with Australian Tour Desk, liquor licences held by the bowling centres and software.

Goodwill

Goodwill represents goodwill acquired by the Group as part of various acquisitions. The movement in goodwill at cost in the period is due to the acquisition of two health clubs and an amusement arcade (refer to Note 32) and the movement in the USD:AUD foreign exchange rate.

Goodwill is monitored by management at the operating segment level. Management reviews the business performance based on geography and type of business. The Group has six reportable segments.

Notes to the Financial Statements for the year ended 30 June 2014

21. Intangible assets (continued)

Goodwill (continued)

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

Consolidated Group and ALL Group

| 2014 | Australia \$'000 | United States \$'000 | New Zealand \$'000 | Total \$'000 |
|------------------------------|---------------------|-------------------------|-----------------------|-----------------|
| Theme parks | 4,366 | - | - | 4,366 |
| Bowling centres | 18,080 | - | 3,646 | 21,726 |
| Family entertainment centres | - | 45,066 | - | 45,066 |
| Health clubs | 117,080 | - | - | 117,080 |
| | 139,526 | 45,066 | 3,646 | 188,238 |

| 2013 | Australia \$'000 | United States \$'000 | New Zealand \$'000 | Total \$'000 |
|------------------------------|---------------------|-------------------------|-----------------------|-----------------|
| Theme parks | 4,366 | - | - | 4,366 |
| Bowling centres | 16,822 | - | 3,329 | 20,151 |
| Family entertainment centres | - | 46,445 | - | 46,445 |
| Health clubs | 113,251 | - | - | 113,251 |
| | 134,439 | 46,445 | 3,329 | 184,213 |

Impairment tests for goodwill

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

Key assumptions used for value in use calculations

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

| | Growth rate ⁽¹⁾ | | Discount rate ⁽²⁾ | |
|------------------------------|----------------------------|------------------------|------------------------------|------------------------|
| | 2014 % per annum | 2013 % per annum | 2014 % per annum | 2013 % per annum |
| Theme parks ⁽³⁾ | N/A | N/A | N/A | N/A |
| Bowling centres | 2.00 | 2.00 | 8.98 | 9.44 |
| Family entertainment centres | 3.00 | 3.00 | 7.50 | 7.92 |
| Health clubs | 2.00 | 2.00 | 8.98 | 9.44 |

(1) Average growth rate used to extrapolate cash flows beyond the budget period.

(2) In performing the value in use calculations for each CGU, the Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows.

(3) All non-current assets in the Theme parks division are already held at fair value at 30 June 2014 and were independently valued by Jones Lang LaSalle (refer to Note 19). As a result, no impairment testing is required at 30 June 2014.

The period over which management has projected the CGU cash flows is based upon the individual CGU's lease term available. These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2015 financial year budget. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

Notes to the Financial Statements

for the year ended 30 June 2014

21. Intangible assets (continued)

Impairment tests for goodwill (continued)

Sensitivity to changes in assumptions

Management recognises that the calculation of recoverable amount can vary based on the assumptions used to project or discount cash flows and that changes to key assumptions can result in recoverable amounts falling below carrying amounts. In relation to the CGUs above, the recoverable amounts are well in excess of the carrying amount associated with each segment.

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

22. Deferred tax assets

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| The balance comprises temporary differences attributable to: | | | | |
| <i>Amounts recognised in profit or loss:</i> | | | | |
| Doubtful debts | 216 | 100 | 216 | 100 |
| Employee benefits | 4,757 | 5,710 | 4,757 | 5,710 |
| Provisions and accruals | 1,167 | 496 | 1,167 | 496 |
| Depreciation of property, plant and equipment | 153 | - | 153 | - |
| Inventory diminution | 6 | 19 | 6 | 19 |
| Deferred income | 76 | 184 | 76 | 184 |
| Unrealised foreign exchange losses | 4 | - | 4 | - |
| Lease incentives | 1,563 | 1,649 | 1,563 | 1,649 |
| Other | 179 | - | 179 | - |
| Deferred tax assets | 8,121 | 8,158 | 8,121 | 8,158 |
| <i>Set-off of deferred tax balances pursuant to set-off provisions</i> | | | | |
| Australia | (3,986) | (4,263) | (3,986) | (4,263) |
| United States | (2,157) | (2,362) | (2,157) | (2,362) |
| Net deferred tax assets | 1,978 | 1,533 | 1,978 | 1,533 |
| <i>Movements</i> | | | | |
| Balance at the beginning of the year | 8,158 | 4,885 | 8,158 | 4,885 |
| (Charged)/credited to the Income Statement (refer to Note 10) | (328) | 2,434 | (328) | 2,434 |
| Credited to cash flow hedge reserve (refer to Note 30) | 11 | - | 11 | - |
| Acquired through business combinations (refer to Note 32) | 280 | 839 | 280 | 839 |
| Balance at the end of the year | 8,121 | 8,158 | 8,121 | 8,158 |
| Deferred tax assets to be recovered within 12 months | 5,849 | 5,922 | 5,849 | 5,922 |
| Deferred tax assets to be recovered after more than 12 months | 2,272 | 2,236 | 2,272 | 2,236 |
| | 8,121 | 8,158 | 8,121 | 8,158 |

Notes to the Financial Statements for the year ended 30 June 2014

23. Payables

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|------------------------------|---|---|-----------------------------|-----------------------------|
| Current | | | | |
| Custodian fee | 52 | 50 | - | - |
| Interest payable | 442 | 82 | 35 | 7 |
| GST payable | 1,570 | 1,867 | 847 | 1,528 |
| Trade creditors | 17,677 | 16,316 | 17,677 | 16,316 |
| Property expenses payable | 1,048 | 1,083 | - | - |
| Employee share plan | 361 | 356 | 6,675 | 4,426 |
| Straight-line rent liability | 13,971 | 12,425 | 1,704 | 825 |
| Employee benefits | 13,361 | 12,102 | 13,361 | 12,102 |
| Deferred income | 9,131 | 7,625 | 9,131 | 7,625 |
| Other creditors and accruals | 11,452 | 12,071 | 10,857 | 11,514 |
| Total payables | 69,065 | 63,977 | 60,287 | 54,343 |

24. Interest bearing liabilities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Current | | | | |
| Finance leases | 61 | 238 | 61 | 238 |
| Total current | 61 | 238 | 61 | 238 |
| Non-current | | | | |
| Finance leases | - | 61 | - | 61 |
| Bank loan - term debt | 261,551 | 229,253 | 79,851 | 55,159 |
| Less: Amortised costs - bank loan | (1,340) | (1,686) | (390) | (473) |
| Loans from the Trust* | - | - | 125,365 | 113,599 |
| Total non-current | 260,211 | 227,628 | 204,826 | 168,346 |
| Total interest bearing liabilities | 260,272 | 227,866 | 204,887 | 168,584 |

* Further information relating to these loans is included in Note 36(g).

The term debt is secured by mortgages over all freehold property, leasehold mortgages over key bowling centre, health club 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:

- Gearing ratio, being the ratio of total debt to total debt plus equity, must not exceed 40%;
- Debt serviceability ratio, being the ratio of debt to EBITDA adjusted for unrealised and one off items (adjusted EBITDA), must not exceed 3.25; and
- Fixed charge cover ratio, being the ratio of adjusted EBITDA to fixed charges, must be no less than 1.75.

Notes to the Financial Statements for the year ended 30 June 2014

24. Interest bearing liabilities (continued)

Total secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|----------------------------------|---|---|-----------------------------|-----------------------------|
| Current | | | | |
| <i>Floating charge</i> | | | | |
| Cash and cash equivalents | 7,079 | 12,953 | 6,197 | 12,481 |
| Receivables | 7,416 | 7,049 | 7,762 | 9,290 |
| Derivative financial instruments | - | 575 | - | - |
| Inventories | 9,378 | 9,780 | 9,378 | 9,780 |
| Property held for sale | 10,650 | 4,210 | 10,650 | 4,210 |
| Other | 16,579 | 9,402 | 13,080 | 5,956 |
| Total current assets | 51,102 | 43,969 | 47,067 | 41,717 |
| Non-current | | | | |
| <i>Mortgage</i> | | | | |
| Investment properties | 95,870 | 95,232 | - | - |
| Land and buildings | 275,405 | 248,679 | 42,795 | 28,056 |
| | 371,275 | 343,911 | 42,795 | 28,056 |
| <i>Floating charge</i> | | | | |
| Property, plant and equipment | 226,623 | 212,654 | 72,534 | 54,812 |
| Livestock | 300 | 305 | 300 | 305 |
| Intangible assets | 12,999 | 12,575 | 12,999 | 12,575 |
| | 239,922 | 225,534 | 85,833 | 67,692 |
| <i>Finance lease</i> | | | | |
| Plant and equipment | 492 | 582 | 492 | 582 |
| Total non-current assets | 611,689 | 570,027 | 129,120 | 96,330 |
| Total assets | 662,791 | 613,996 | 176,187 | 138,047 |

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Notes to the Financial Statements for the year ended 30 June 2014

24. Interest bearing liabilities (continued)

Credit facilities

As at 30 June 2014, the Group had unrestricted access to the following credit facilities:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|----------------------------|---|---|-----------------------------|-----------------------------|
| A\$ syndicated facilities | 200,000 | 200,000 | - | - |
| Amount used | (163,400) | (152,995) | - | - |
| Amount unused | 36,600 | 47,005 | - | - |
| US\$ syndicated facilities | 127,253 | 131,478 | 106,045 | 109,565 |
| Amount used | (98,151) | (76,258) | (79,851) | (55,159) |
| Amount unused | 29,102 | 55,220 | 26,194 | 54,406 |
| Trust facilities | - | - | 355,975 | 359,495 |
| Amount used | - | - | (125,365) | (113,599) |
| Amount unused | - | - | 230,610 | 245,896 |
| Total facilities | 327,253 | 331,478 | 462,020 | 469,060 |
| Total amount used | (261,551) | (229,253) | (205,216) | (168,758) |
| Total amount unused | 65,702 | 102,225 | 256,804 | 300,302 |

Consolidated Group

The Group has access to A\$200.0 million (2013: A\$200.0 million) syndicated facilities and a US\$120.0 million (2013: US\$120.0 million) syndicated facilities. A\$100.0 million of the AUD facilities will mature on 1 July 2016 and A\$100.0 million will mature on 1 July 2017. US\$90.0 million of the USD facilities will mature on 1 July 2016 and US\$30.0 million will mature on 1 July 2017.

All of the facilities have a variable interest rate. As detailed in Note 14, the interest rates on the loans are partially fixed using interest rate swaps. The weighted average interest rates payable on the loans at 30 June 2014, including the impact of the interest rate swaps, is 5.15% per annum for AUD denominated debt (2013: 6.23% per annum) and 1.81% per annum for USD denominated debt (2013: 1.59% 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 Trust loan facilities totalling \$249.9 million have a maturity date of 31 August 2018. In addition, the ALL Group has US\$100.0 million facilities with the Trust maturing on 31 August 2018.

The ALL Group has access to US\$100.0 million (2013: \$100.0 million) syndicated facilities. US\$70.0 million of the facilities will mature on 1 July 2016 and US\$30.0 million will mature on 1 July 2017.

Information about the Group's exposure to interest rates and foreign exchange risk is provided in Note 38.

Notes to the Financial Statements for the year ended 30 June 2014

25. Provisions

(a) Distributions to stapled security holders

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|----------------------------------|---|---|-----------------------------|-----------------------------|
| Opening balance | - | - | - | - |
| Distributions/dividends declared | 49,025 | 43,632 | 3,874 | 3,620 |
| Distributions/dividends paid | (40,107) | (36,644) | (3,874) | (3,620) |
| Distributions reinvested | (8,918) | (6,988) | - | - |
| Closing balance | - | - | - | - |

A provision for the distribution relating to the half year to 30 June 2014 was not recognised as the distribution had not been declared at the reporting date.

(b) Other provisions

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Current | | | | |
| Employee benefits | 2,700 | 2,448 | 2,700 | 2,448 |
| Sundry* | 572 | 542 | 572 | 542 |
| Total current | 3,272 | 2,990 | 3,272 | 2,990 |
| Non-current | | | | |
| Employee benefits | 1,625 | 2,011 | 1,625 | 2,011 |
| Total non-current | 1,625 | 2,011 | 1,625 | 2,011 |
| Total provisions | 4,897 | 5,001 | 4,897 | 5,001 |
| Movements in sundry provisions | | | | |
| Carrying amount at the beginning of the year | 542 | 428 | 542 | 428 |
| Additional provisions recognised | 718 | 473 | 718 | 473 |
| Amounts utilised | (688) | (359) | (688) | (359) |
| Carrying amount at the end of the year | 572 | 542 | 572 | 542 |

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

The current provision for employee benefits includes accrued long service leave which covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. This is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Notes to the Financial Statements for the year ended 30 June 2014

26. Other liabilities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|-------------------|---|---|-----------------------------|-----------------------------|
| Security deposits | 2,155 | 2,101 | 2,155 | 2,101 |
| | 2,155 | 2,101 | 2,155 | 2,101 |

27. Deferred tax liabilities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| The balance comprises temporary differences attributable to: | | | | |
| <i>Amounts recognised in profit or loss:</i> | | | | |
| Intangible assets | 3,392 | 3,649 | 3,392 | 3,649 |
| Prepayments | 481 | 337 | 481 | 337 |
| Accrued revenue | 123 | 16 | 123 | 16 |
| Depreciation of property, plant and equipment | 11,424 | 11,622 | 11,424 | 11,622 |
| Deferred tax liabilities | 15,420 | 15,624 | 15,420 | 15,624 |
| Set-off deferred tax balances pursuant to set-off provisions | | | | |
| Australia | (3,986) | (4,263) | (3,986) | (4,263) |
| United States | (2,157) | (2,362) | (2,157) | (2,362) |
| Net deferred tax liabilities | 9,277 | 8,999 | 9,277 | 8,999 |
| Movements | | | | |
| Balance at the beginning of the year | 15,624 | 7,355 | 15,624 | 7,355 |
| (Credited)/charged to the Income Statement (refer to Note 10) | (1,860) | 4,212 | (1,860) | 4,212 |
| Acquired through business combinations (refer to Note 32) | 1,656 | 4,057 | 1,656 | 4,057 |
| Balance at the end of the year | 15,420 | 15,624 | 15,420 | 15,624 |
| Deferred tax liabilities to be settled within 12 months | 604 | 1,113 | 604 | 1,113 |
| Deferred tax liabilities to be settled after more than 12 months | 14,816 | 14,511 | 14,816 | 14,511 |
| | 15,420 | 15,624 | 15,420 | 15,624 |

Notes to the Financial Statements for the year ended 30 June 2014

28. Contributed equity

| No. of securities/shares | Details | Date of income entitlement | Note | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--------------------------|--|----------------------------|-------|--------------------------------|--------------------------------|-----------------------|-----------------------|
| 334,209,401 | Securities/shares on issue | 30 Jun 2012 | | | 421,900 | | 11,960 |
| 5,647,860 | DRP issue | 1 Jul 2012 | (i) | | 6,988 | | 196 |
| 1,491,186 | Security-based payments - securities/shares issued | 1 Jul 2012 | (ii) | | 1,931 | | 57 |
| 39,062,500 | Fenix/Fitness First placement | 1 Jul 2012 | (iii) | | 50,000 | | 1,408 |
| 17,363,566 | Security Purchase Plan | 1 Jul 2012 | (iii) | | 22,225 | | 626 |
| - | Issue costs paid | | | | (1,628) | | (45) |
| 29,474 | Security-based payments - securities/shares issued | 1 Jan 2013 | (ii) | | - | | - |
| 397,803,987 | Securities/shares on issue | 30 Jun 2013 | | 501,416 | 501,416 | 14,202 | 14,202 |
| 5,295,345 | DRP issue | 1 Jul 2013 | (i) | 8,918 | | 1,504 | |
| 1,895,088 | Security-based payments - securities/shares issued | 1 Jul 2013 | (ii) | 3,469 | | 585 | |
| 61,288 | Security-based payments - securities/shares issued | 1 Jul 2013 | (ii) | 112 | | 19 | |
| - | Issue costs paid | | | (3) | | (1) | |
| 405,055,708 | Securities/shares on issue | 30 Jun 2014 | | 513,912 | 501,416 | 16,309 | 14,202 |

(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 be in operation for the distribution for the half year ended 30 June 2014, although was not in operation for the half year ended 31 December 2013.

(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 Note 29. Upon vesting, the Group issues stapled securities to these personnel.

(iii) Fenix/Fitness First placement and Security Purchase Plan

On 20 September 2012 and 23 October 2012, the Group issued stapled securities under a placement and a Security Purchase Plan respectively to fund the acquisition of Fenix and Fitness First health clubs.

Notes to the Financial Statements

for the year ended 30 June 2014

29. Security-based payments

(a) Deferred Short Term Incentive Plan (DSTI)

| Plan name | DSTI |
|--|--|
| Who can participate? | All employees are eligible for participation at the discretion of the Board. |
| Types of securities issued | Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements. |
| Treatment of non-Australian residents | For employees who are not Australian residents, the DSTI historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same tenure hurdles. |
| What restrictions are there on the securities? | Performance rights are non-transferable. |
| When can the securities vest? | The plan contemplates that the performance rights will vest equally one year and two years following the grant date. |
| What are the vesting conditions? | Plan performance rights will normally vest only if the participant remains employed by the Group (and is not under notice terminating the contract of employment from either party) as at the relevant vesting date. |
| Did any of the securities vest? | During the financial year, a total of 857,282 performance rights vested. |

Australian employees

Since the DSTI was approved in July 2010, long term incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI, participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date. The first set of performance rights were granted under the DSTI on 16 December 2010, with the first possible vesting date being the day after the full year results announcement for the year ended 30 June 2011. A total of 722,192 performance rights vested on 23 August 2013 and 11 November 2013 and a corresponding number of stapled securities were issued to employees under the terms of the DSTI (2013: 795,504).

The characteristics of the DSTI indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the DSTI's service criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the DSTI is accounted for as a cash settled share-based payment.

Fair value – Australian employees

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

The fair value of the performance rights granted under the DSTI is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model with the movement in fair value of the liability being recognised in the Income Statement.

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

Notes to the Financial Statements

for the year ended 30 June 2014

29. Security-based payments (continued)

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

US employees

Due to restrictions on the issue of securities to US residents, those US executives eligible for the DSTI are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (VWAP) for the five trading days immediately following the vesting date and an equivalent cash payment is made. Due to the nature of the scheme, this is considered to be a cash settled share-based payment under AASB 2. A total of 135,090 cash settled performance rights vested on 23 August 2013 to US employees under the terms of the DSTI (2013: 115,049).

Arrangements have now been made to allow for the issue of equity to US resident employees and future grants of performance rights for equity will be issued instead of cash awards.

Fair value – US employees

The fair value of each grant of performance rights is determined at each reporting date using a binomial tree valuation model. This is recorded as a liability with the movement in the fair value of the financial liability being recognised in the Income Statement.

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

Valuation inputs

For the performance rights outstanding at 30 June 2014, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the date of grant. This valuation is used to value the performance rights granted to Australian employees at 30 June 2014:

| Grant | 2012 | 2013 |
|--|-----------------|-----------------|
| Grant date | 24 August 2012 | 23 August 2013 |
| Vesting date – year 1 | 23 August 2013 | 31 August 2014 |
| Vesting date – year 2 | 31 August 2014 | 31 August 2015 |
| Average risk free rate | 2.80% per annum | 2.60% per annum |
| Expected price volatility | 35.0% per annum | 30.9% per annum |
| Expected distribution yield | 9.1% per annum | 6.6% per annum |
| Stapled security price at grant date | \$1.29 | \$1.82 |
| Valuation per performance right on issue | \$1.15 | \$1.66 |

The table below shows the fair value of the performance rights in each grant as at 30 June 2014 as well as the factors used to value the performance rights as at 30 June 2014. This valuation is used to value the performance rights granted to US employees at 30 June 2014:

| Grant | 2012 | 2013 |
|---|-----------------|-----------------|
| Grant date | 24 August 2012 | 23 August 2013 |
| Vesting date – year 1 | 23 August 2013 | 31 August 2014 |
| Vesting date – year 2 | 31 August 2014 | 31 August 2015 |
| Average risk free rate | 2.51% per annum | 2.51% per annum |
| Expected price volatility | 26.8% per annum | 26.8% per annum |
| Expected distribution yield | 4.8% per annum | 4.8% per annum |
| Stapled security price at year end | \$2.71 | \$2.71 |
| Valuation per performance right at year end | \$2.71 | \$2.64 |

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

Notes to the Financial Statements for the year ended 30 June 2014

29. Security-based payments (continued)

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

Tenure hurdle

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

The employee benefit expense recognised each period takes into account the most recent estimate.

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

| | Consolidated Group 2014 Rights | Consolidated Group 2013 Rights | ALL Group 2014 Rights | ALL Group 2013 Rights |
|--|---|---|-----------------------------|-----------------------------|
| Performance rights issued to participating executives: | | | | |
| Performance rights | 950,807 | 1,327,804 | 950,807 | 1,327,804 |

| Grant date | Expiry date | Exercise price | Valuation per right | Balance at beginning of the year | Granted | Exercised | Failed to vest | Cancelled | Balance at the end of the year |
|-------------|-------------|----------------|---------------------|----------------------------------|----------------|------------------|----------------|------------------|--------------------------------|
| 12 Sep 2011 | 31 Aug 2013 | nil | 90.0 cents | 475,531 | - | (459,131) | - | (16,400) | - |
| 24 Aug 2012 | 31 Aug 2014 | nil | 114.7 cents | 852,273 | - | (398,151) | - | (70,703) | 383,419 |
| 23 Aug 2013 | 31 Aug 2015 | nil | 166.1 cents | - | 616,299 | - | - | (48,911) | 567,388 |
| | | | | 1,327,804 | 616,299 | (857,282) | - | (136,014) | 950,807 |

The rights have an average maturity of six months.

(b) Long Term Incentive Plan (LTIP)

| Plan name | LTIP |
|--|--|
| Who can participate? | All employees are eligible for participation at the discretion of the Board. |
| Types of securities issued | Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements. |
| Treatment of non-Australian residents | For employees who are not Australian residents, the LTIP historically granted cash awards to those executives. Administrative arrangements have now been made to issue equity awards and not cash awards to non-resident executives. All awards, whether equity or cash, are subject to the same performance hurdles. |
| What restrictions are there on the securities? | Performance rights are non-transferable. |
| When can the securities vest? | <p>The plan contemplates that the performance rights will vest equally two, three and four years following the grant date, subject to meeting the total shareholder return (TSR) performance hurdle.</p> <p>From 1 July 2014, the LTIP will also be subject to a dual measure by including an internal earnings per security (EPS) measure. The weighting between the two hurdles will be then be split as follows:</p> <ul style="list-style-type: none"> • TSR – 50%; and • EPS – 50%. |

Notes to the Financial Statements for the year ended 30 June 2014

29. Security-based payments (continued)

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

| Plan name | LTIP |
|---|--|
| What are the vesting conditions? | <p>From 1 July 2014, in order for any or all of the performance rights to vest one or both of the following hurdles must be met:</p> <ul style="list-style-type: none"> • TSR performance hurdle - the Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark group for the same period. A sliding scale of vesting applies above the 50th percentile threshold; and • EPS performance hurdle - the Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above the 5% threshold. |
| What does total shareholder return include? | TSR is the total return an investor would receive over a set period of time assuming that all distributions were reinvested in the Group's securities. The TSR definition takes account of both capital growth and distributions. |
| What is the earnings per security hurdle? | The EPS hurdle refers to the annual growth of earnings per security over the total vesting periods of two, three and four years from the grant date. |
| What is the benchmark group? | The benchmark group comprises the ASX Small Industrials Index. |
| Did any of the securities vest? | During the financial year, a total of 1,303,244 performance rights reached vesting following an independent third party assessment of the Group's TSR performance compared to the benchmark. |

Australian employees

Since 1 July 2009, long term incentives have been provided to certain executives under the LTIP. Under the terms of the LTIP and the initial grant, employees may be granted performance rights of which one third will vest two years after grant date, one third will vest three years after grant date and one third will vest four years after grant date. The percentage of performance rights which may vest is subject to the performance of the Group relative to its peer group, which is the ASX Small Industrials Index.

During the year, the relative TSR performance of the Group was tested in accordance with the LTIP for tranches issued in 2009, 2010 and 2011 with the following results:

| Tranche | TSR percentile | Vesting percentage |
|---------|----------------|--------------------|
| T3-2009 | 67.05 | 84.1% |
| T2-2010 | 83.16 | 100.0% |
| T1-2011 | 71.13 | 92.3% |

A total of 1,234,184 performance rights vested on 23 August 2013 and a corresponding number of stapled securities were issued to Australian employees under the terms of the LTIP (2013: 695,682).

The characteristics of the LTIP indicate that, at the Ardent Leisure Group level, it is an equity settled share-based payment under AASB 2 *Share-based Payment* as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria. However, as ALL is considered to be a subsidiary of the Trust, in the financial statements of the ALL Group the LTIP is accounted for as a cash settled share-based payment.

Notes to the Financial Statements for the year ended 30 June 2014

29. Security-based payments (continued)

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

Fair value – Australian employees

The fair value of the performance rights granted under the LTIP is recognised in the Group financial statements as an employee benefit expense with a corresponding increase in equity. The fair value of the performance rights is determined at grant date using a Monte Carlo simulation valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

The fair value of the performance rights granted under the LTIP is recognised in the ALL Group financial statements as an employee benefit expense with a corresponding increase in liabilities. The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model with the movement in fair value of the liability being recognised in the Income Statement.

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

US employees

Due to restrictions on the issue of securities to US residents, those US executives eligible for the LTIP are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security VWAP for the five trading days immediately following the vesting date and an equivalent cash payment is made. Due to the nature of the scheme, this is considered to be a cash settled share-based payment under AASB 2. A total of 69,060 cash settled performance rights vested on 23 August 2013 to US employees under the terms of the LTIP (2013: 38,401).

Arrangements have now been made to allow for the issue of equity to US resident employees and future grants of performance rights for equity will be issued instead of cash awards.

Fair value – US employees

The fair value of each grant of performance rights is determined at each reporting date using a Monte Carlo simulation valuation model. This is recorded as a liability with the difference in the movement in the fair value of the financial liability being recognised through the Income Statement.

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

Valuation inputs

For performance rights outstanding at 30 June 2014, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. This valuation is used to value the performance rights granted to Australian employees at 30 June 2014:

| Grant | 2010 | 2011 | 2012 | 2013 |
|--|------------------|-------------------|-----------------|-----------------|
| Grant date | 16 December 2010 | 12 September 2011 | 24 August 2012 | 23 August 2013 |
| Vesting date – year 2 | 24 August 2012 | 23 August 2013 | 31 August 2014 | 31 August 2015 |
| Vesting date – year 3 | 23 August 2013 | 31 August 2014 | 31 August 2015 | 31 August 2016 |
| Vesting date – year 4 | 31 August 2014 | 31 August 2015 | 31 August 2016 | 31 August 2017 |
| Average risk free rate | 5.10% per annum | 3.49% per annum | 2.73% per annum | 2.60% per annum |
| Expected price volatility | 45% per annum | 40% per annum | 35% per annum | 32% per annum |
| Expected distribution yield | 10.0% per annum | 11.0% per annum | 9.1% per annum | 6.6% per annum |
| Stapled security price at grant date | \$1.065 | \$1.055 | \$1.290 | \$1.815 |
| Valuation per performance right on issue | \$0.52 | \$0.44 | \$0.61 | \$0.76 |

Notes to the Financial Statements for the year ended 30 June 2014

29. Security-based payments (continued)

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

Valuation inputs (continued)

The table below shows the fair value of the performance rights for each grant as at 30 June 2014 as well as the factors used to value the performance rights at 30 June 2014. This valuation is used to value the performance rights granted to US employees at 30 June 2014:

| Grant | 2010 | 2011 | 2012 | 2013 |
|--|------------------|-------------------|-----------------|-----------------|
| Grant date | 16 December 2010 | 12 September 2011 | 24 August 2012 | 23 August 2013 |
| Vesting date – year 2 | 24 August 2012 | 23 August 2013 | 31 August 2014 | 31 August 2015 |
| Vesting date – year 3 | 23 August 2013 | 31 August 2014 | 31 August 2015 | 31 August 2016 |
| Vesting date – year 4 | 31 August 2014 | 31 August 2015 | 31 August 2016 | 31 August 2017 |
| Average risk free rate | 2.51% per annum | 2.51% per annum | 2.51% per annum | 2.51% per annum |
| Expected price volatility | 26.8% per annum | 26.8% per annum | 26.8% per annum | 26.8% per annum |
| Expected distribution yield | 4.8% per annum | 4.8% per annum | 4.8% per annum | 4.8% per annum |
| Stapled security price at year end | \$2.71 | \$2.71 | \$2.71 | \$2.71 |
| Valuation per performance right on issue | \$2.71 | \$2.64 | \$2.55 | \$2.33 |

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

Performance hurdles

In order for any or all of the performance rights to vest under the LTIP, the Group's TSR and/or (for grants made after 1 July 2014) the EPS hurdle must be met.

TSR

The Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the benchmark for the same period. A sliding scale of vesting applies above the 50th percentile threshold.

| TSR of the Group relative to TSRs of comparators | Proportion of performance rights vesting |
|--|--|
| Below 51st percentile | 0% |
| 51st percentile | 50% |
| Between 51st percentile and 75th percentile | Straight-line vesting between 50% and 100% |
| 75th percentile or higher | 100% |

TSR over a performance period is measured against the benchmark group securities calculated at the average closing price of securities on the ASX for the calendar month period up to and including each of the first and last dates of the performance period. Distributions are assumed to be reinvested at the distribution date and any franking credits (or similar) are ignored.

EPS

The Group's compound EPS growth for the performance period must exceed 5%. A sliding scale of vesting applies above 5% threshold.

| Compound EPS growth in the period | Proportion of performance rights vesting |
|-----------------------------------|--|
| Below 5% | 0% |
| 5% | 50% |
| Between 5% and 10% | Straight-line vesting between 50% and 100% |
| 10% or higher | 100% |

The weighting between the two performance measures is split as follows:

- TSR – 50%; and
- EPS – 50%.

Notes to the Financial Statements for the year ended 30 June 2014

29. Security-based payments (continued)

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

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

| | Consolidated Group 2014 Rights | Consolidated Group 2013 Rights | ALL Group 2014 Rights | ALL Group 2013 Rights |
|--|---|---|-----------------------------|-----------------------------|
|--|---|---|-----------------------------|-----------------------------|

Performance rights issued to participating executives:

| | | | | |
|--------------------|-----------|-----------|-----------|-----------|
| Performance rights | 3,147,473 | 4,027,154 | 3,147,473 | 4,027,154 |
|--------------------|-----------|-----------|-----------|-----------|

| Grant date | Expiry date | Exercise price | Valuation per right | Balance at beginning of the year | Granted | Exercised | Failed to vest | Cancelled | Balance at the end of the year |
|-------------|-------------|----------------|---------------------|----------------------------------|----------------|--------------------|------------------|------------------|--------------------------------|
| 4 Dec 2009 | 24 Aug 2013 | nil | 89.0 cents | 466,444 | - | (393,629) | (74,417) | 1,602 | - |
| 16 Dec 2010 | 31 Aug 2014 | nil | 52.3 cents | 900,471 | - | (450,234) | - | (39,223) | 411,014 |
| 12 Sep 2011 | 31 Aug 2015 | nil | 43.7 cents | 1,493,107 | - | (459,381) | (38,320) | (82,650) | 912,756 |
| 24 Aug 2012 | 31 Aug 2016 | nil | 60.9 cents | 1,167,132 | - | - | - | (160,665) | 1,006,467 |
| 23 Aug 2013 | 31 Aug 2017 | nil | 76.3 cents | - | 876,447 | - | - | (59,211) | 817,236 |
| | | | | 4,027,154 | 876,447 | (1,303,244) | (112,737) | (340,147) | 3,147,473 |

The rights have an average maturity of one year and two months.

The expense recorded in the Group financial statements in the year in relation to the performance rights was \$1,996,226 (2013: \$1,378,478). The expense recorded in the ALL Group financial statements in the year in relation to the performance rights was \$6,202,877 (2013: \$3,634,433).

Notes to the Financial Statements for the year ended 30 June 2014

30. Reserves

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Asset revaluation reserve | | | | |
| Opening balance | 2,620 | 437 | 3,416 | 3,416 |
| Revaluation - Theme parks | 6,866 | 5,173 | - | - |
| Revaluation - Bowling centres | - | 1,349 | - | - |
| Revaluation - Health clubs | - | 2,581 | - | - |
| Transfer to retained profits - realised items | (3,261) | (6,920) | - | - |
| Closing balance | 6,225 | 2,620 | 3,416 | 3,416 |
| Capital reserve | | | | |
| Opening balance | (8,439) | (5,912) | - | - |
| Transfer from retained profits - pre-opening expenses | (2,579) | (2,527) | - | - |
| Closing balance | (11,018) | (8,439) | - | - |
| Cash flow hedge reserve | | | | |
| Opening balance | (1,569) | (3,098) | - | - |
| Movement in effective cash flow hedges | 434 | 1,529 | (30) | - |
| Tax on movement on US cash flow hedges | 11 | - | 11 | - |
| Closing balance | (1,124) | (1,569) | (19) | - |
| Foreign currency translation reserve | | | | |
| Opening balance | (39,159) | (38,523) | (1,682) | (4,154) |
| Translation of foreign operations | 391 | (636) | (942) | 2,472 |
| Closing balance | (38,768) | (39,159) | (2,624) | (1,682) |
| Stapled security-based payment reserve | | | | |
| Opening balance | 1,867 | 2,729 | - | - |
| Option expense | (1,963) | (862) | - | - |
| Closing balance | (96) | 1,867 | - | - |
| Performance fee reserve | | | | |
| Opening balance | 1,132 | 1,132 | - | - |
| Closing balance | 1,132 | 1,132 | - | - |
| Goodlife put and call option reserve | | | | |
| Opening balance | (2,269) | (2,269) | (2,310) | (2,310) |
| Closing balance | (2,269) | (2,269) | (2,310) | (2,310) |
| Total reserves | (45,918) | (45,817) | (1,537) | (576) |

Notes to the Financial Statements for the year ended 30 June 2014

30. Reserves (continued)

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

The capital reserve is used to record one off costs incurred in the identification of new acquisitions or development of new sites which are not able to be capitalised by the Group as well as the difference between the amount paid and the net assets acquired in the acquisition of non-controlling interests.

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 1(p)(ii).

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 options issued to employees but not yet exercised under the Group's DSTI and LTIP.

The performance fee reserve was used to recognise the fair value of stapled securities not yet issued to the Manager in settlement for the performance fee earned in the relevant period. The performance fee of \$1.1 million was earned in the period to 30 June 2009. On the internalisation of the Manager, the performance fee payment was waived by Macquarie Group Limited but under the accounting standards, the reserve is not reversed.

The Group had the option to acquire the non-controlling interests in Ardent Leisure Health Clubs 1 Pty Limited. In accordance with AASB 132 *Financial Instruments: Presentation*, on first recognition the Group recorded the potential obligation under the put option on the Balance Sheet as a financial liability calculated as the present value of the redemption amount on the first exercise date. Under the Group's economic equity approach, the initial recognition of the redemption amount was recorded in the Goodlife put and call option reserve. Movements in the financial liability due to changes in the expected redemption amount and unwinding of the present value discount were taken to the Income Statement as finance costs in subsequent periods. In a prior period, the Group acquired the remaining interest in Ardent Leisure Health Clubs 1 Pty Limited but due to the accounting standards, the reserve remained.

31. Retained profits/(accumulated losses)

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| Opening balance | 31,691 | 30,259 | (2,837) | (6,310) |
| Net profit for the year | 49,002 | 35,617 | 5,056 | 7,093 |
| Available for distribution | 80,693 | 65,876 | 2,219 | 783 |
| Transfer from asset revaluation reserve | 3,261 | 6,920 | - | - |
| Transfer to capital reserve | 2,579 | 2,527 | - | - |
| Distributions and dividends paid and payable | (49,025) | (43,632) | (3,874) | (3,620) |
| Closing balance | 37,508 | 31,691 | (1,655) | (2,837) |

The distribution of 6.2 cents per stapled security for the year ended 30 June 2014 totalling \$25.1 million had not been declared at year end. This will be paid on or before 29 August 2014 as described in Note 44.

Notes to the Financial Statements for the year ended 30 June 2014

32. Business combinations

Current period

Camberwell

On 28 February 2014, the Group acquired a health club at Camberwell, Victoria, for \$3.9 million. Transaction costs totalling \$4,091 were incurred on this project, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$1.1 million and a profit before allocation of Group costs and tax of \$0.2 million to the Group for the period from 28 February 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, it would have contributed revenues of \$3.2 million and a profit before allocation of Group costs and tax of \$0.7 million for the year ended 30 June 2014.

Final details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--|---------------------------------|---------------------|
| Purchase consideration: | | |
| Cash paid | 3,918 | 3,385 |
| Total purchase consideration | 3,918 | 3,385 |
| Fair value of net identifiable assets acquired | 1,158 | 625 |
| Goodwill | 2,760 | 2,760 |

The goodwill is attributable to the health clubs' strong market position and profitable trading history and synergies expected to arise after the Group's acquisition. None of the goodwill is expected to be deductible for tax purposes.

| | Consolidated Group Acquiree's carrying amount \$'000 | Consolidated Group Fair value \$'000 | ALL Group Acquiree's carrying amount \$'000 | ALL Group Fair value \$'000 |
|---|---|---|---|-----------------------------------|
| Other current assets | 20 | 20 | 20 | 20 |
| Customer relationship intangible assets | - | 920 | - | 920 |
| Property, plant and equipment | 1,048 | 702 | 338 | 169 |
| Net deferred tax assets/(liabilities) | 81 | (195) | 81 | (195) |
| Deferred income | (236) | (236) | (236) | (236) |
| Payables | (44) | (44) | (44) | (44) |
| Employee benefits provision | (9) | (9) | (9) | (9) |
| Net identifiable assets acquired | 860 | 1,158 | 150 | 625 |

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--------------------------------------|---------------------------------|---------------------|
| Outflow of cash to acquire business: | | |
| Cash consideration | 3,918 | 3,385 |
| Outflow of cash | 3,918 | 3,385 |

Notes to the Financial Statements for the year ended 30 June 2014

32. Business combinations (continued)

Current period (continued)

Port Melbourne

On 28 February 2014, the Group acquired a health club at Port Melbourne, Victoria, for \$1.4 million. Transaction costs totalling \$4,091 were incurred on this project, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$0.7 million and a profit before allocation of Group costs and tax of \$0.1 million to the Group for the period from 28 February 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, it would have contributed revenues of \$2.1 million and a profit before allocation of Group costs and tax of \$0.2 million for the year ended 30 June 2014.

Final details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--|---------------------------------|---------------------|
| Purchase consideration: | | |
| Cash paid | 1,395 | 920 |
| Total purchase consideration | 1,395 | 920 |
| Fair value of net identifiable assets acquired | 598 | 123 |
| Goodwill | 797 | 797 |

The goodwill is attributable to the health clubs' strong market position and profitable trading history and synergies expected to arise after the Group's acquisition. None of the goodwill is expected to be deductible for tax purposes.

| | Consolidated Group Acquiree's carrying amount \$'000 | Consolidated Group Fair value \$'000 | ALL Group Acquiree's carrying amount \$'000 | ALL Group Fair value \$'000 |
|---|---|---|---|-----------------------------------|
| Inventories | 3 | 3 | 3 | 3 |
| Other current assets | 4 | 4 | 4 | 4 |
| Customer relationship intangible assets | - | 240 | - | 240 |
| Property, plant and equipment | 909 | 684 | 419 | 209 |
| Net deferred tax assets | 110 | 38 | 110 | 38 |
| Deferred income | (309) | (309) | (309) | (309) |
| Payables | (26) | (26) | (26) | (26) |
| Employee benefits provision | (36) | (36) | (36) | (36) |
| Net identifiable assets acquired | 655 | 598 | 165 | 123 |

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--------------------------------------|---------------------------------|---------------------|
| Outflow of cash to acquire business: | | |
| Cash consideration | 1,395 | 920 |
| Outflow of cash | 1,395 | 920 |

Notes to the Financial Statements for the year ended 30 June 2014

32. Business combinations (continued)

Current period (continued)

Hypoxi

On 31 March 2014, the Group completed the acquisition of 100% of the shares in Hypoxi Australia Pty Limited and Hypoxi New Zealand Limited (collectively Hypoxi), a targeted weight loss solutions business, for \$3.8 million. Transaction costs totalling \$48,342 were incurred on this project, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$0.9 million and a profit before allocation of Group costs and tax of \$0.2 million to the Group for the period from 31 March 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, it would have contributed revenues of \$2.8 million and a profit before allocation of Group costs and tax of \$0.5 million for the year ended 30 June 2014.

Final details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--|---------------------------------|---------------------|
| Purchase consideration: | | |
| Cash paid | 3,813 | 3,813 |
| Total purchase consideration | 3,813 | 3,813 |
| Fair value of net identifiable assets acquired | 3,813 | 3,813 |
| Goodwill | - | - |

| | Consolidated Group Acquiree's carrying amount \$'000 | Consolidated Group Fair value \$'000 | ALL Group Acquiree's carrying amount \$'000 | ALL Group Fair value \$'000 |
|---|---|---|---|-----------------------------------|
| Cash and cash equivalents | 577 | 577 | 577 | 577 |
| Receivables | 476 | 476 | 476 | 476 |
| Other current assets | 125 | 125 | 125 | 125 |
| Distribution agreement intangible assets | - | 4,311 | - | 4,311 |
| Property, plant and equipment | 134 | 134 | 134 | 134 |
| Net deferred tax liabilities | (1,214) | (1,214) | (1,214) | (1,214) |
| Deferred income | (220) | (220) | (220) | (220) |
| Payables | (80) | (80) | (80) | (80) |
| Other current liabilities | (291) | (291) | (291) | (291) |
| Employee benefits provision | (5) | (5) | (5) | (5) |
| Net identifiable (liabilities)/assets acquired | (498) | 3,813 | (498) | 3,813 |

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--------------------------------------|---------------------------------|---------------------|
| Outflow of cash to acquire business: | | |
| Cash consideration | 3,813 | 3,813 |
| Less: cash balances acquired | (577) | (577) |
| Outflow of cash | 3,236 | 3,236 |

Notes to the Financial Statements for the year ended 30 June 2014

32. Business combinations (continued)

Current period (continued)

City Amusements

On 22 May 2014, the Group acquired City Amusements, an amusement game arcade in Sydney, New South Wales, for \$2.9 million. Transaction costs totalling \$169,942 were incurred on this project, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$0.3 million and a profit before allocation of Group costs and tax of \$0.04 million to the Group for the period from 22 May 2014 to 30 June 2014. If the acquisition had occurred on 1 July 2013, it would have contributed revenues of \$3.1 million and a profit before allocation of Group costs and tax of \$0.9 million for the year ended 30 June 2014.

Final details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--|---------------------------------|---------------------|
| Purchase consideration: | | |
| Cash paid | 2,915 | 2,332 |
| Total purchase consideration | 2,915 | 2,332 |
| Fair value of net identifiable assets acquired | 1,657 | 1,074 |
| Goodwill | 1,258 | 1,258 |

| | Consolidated Group Acquiree's carrying amount \$'000 | Consolidated Group Fair value \$'000 | ALL Group Acquiree's carrying amount \$'000 | ALL Group Fair value \$'000 |
|---|---|---|---|-----------------------------------|
| Other current assets | 20 | 20 | 20 | 20 |
| Property, plant and equipment | 1,663 | 1,647 | 1,080 | 1,064 |
| Net deferred tax liabilities | (5) | (5) | (5) | (5) |
| Employee benefits provision | (5) | (5) | (5) | (5) |
| Net identifiable assets acquired | 1,673 | 1,657 | 1,090 | 1,074 |

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--------------------------------------|---------------------------------|---------------------|
| Outflow of cash to acquire business: | | |
| Cash consideration | 2,915 | 2,332 |
| Outflow of cash | 2,915 | 2,332 |

Notes to the Financial Statements for the year ended 30 June 2014

32. Business combinations (continued)

Prior period

Fenix

On 9 October 2012, the Group acquired Fenix Fitness Clubs (Fenix), a portfolio comprising 10 operating clubs in Queensland and Victoria and two additional Victorian clubs in the development stage, for \$63.0 million. Transaction costs totalling \$1,121,590 were incurred on this project, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$23.6 million and a profit before allocation of Group costs and tax of \$9.5 million to the Group for the period from 9 October 2012 to 30 June 2013. If the acquisition had occurred on 1 July 2012, it would have contributed revenues of \$30.1 million and a profit before allocation of Group costs and tax of \$10.9 million for the year ended 30 June 2013.

Final details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--|---------------------------------|---------------------|
| Purchase consideration: | | |
| Cash paid | 62,985 | 62,985 |
| Total purchase consideration | 62,985 | 62,985 |
| Fair value of net identifiable assets acquired | 16,163 | 16,163 |
| Goodwill | 46,822 | 46,822 |

The goodwill is attributable to the health clubs' strong market position and profitable trading history and synergies expected to arise after the Group's acquisition. None of the goodwill is expected to be deductible for tax purposes.

| | Consolidated Group Acquiree's carrying amount \$'000 | Consolidated Group Fair value \$'000 | ALL Group Acquiree's carrying amount \$'000 | ALL Group Fair value \$'000 |
|---|---|---|---|-----------------------------------|
| Customer relationship intangible assets | 318 | 12,160 | 318 | 12,160 |
| Property, plant and equipment | 12,202 | 8,787 | 12,202 | 8,787 |
| Net deferred tax assets/(liabilities) | 1,776 | (3,015) | 1,776 | (3,015) |
| Current tax receivable | 193 | 193 | 193 | 193 |
| Payables | (1,501) | (1,501) | (1,501) | (1,501) |
| Employee benefits provision | (243) | (243) | (243) | (243) |
| Other current assets | 1,218 | 1,218 | 1,218 | 1,218 |
| Other current liabilities | (5,562) | (1,436) | (5,562) | (1,436) |
| Net identifiable assets acquired | 8,401 | 16,163 | 8,401 | 16,163 |

| | Consolidated Group \$'000 | ALL Group \$'000 |
|--------------------------------------|---------------------------------|---------------------|
| Outflow of cash to acquire business: | | |
| Cash consideration | 62,985 | 62,985 |
| Less: cash balances acquired | (796) | (796) |
| Outflow of cash | 62,189 | 62,189 |

Notes to the Financial Statements for the year ended 30 June 2014

33. Cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash includes only cash at banks and on deposit. Cash as at 30 June 2014 as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| Cash at bank | 7,016 | 12,890 | 6,134 | 12,418 |
| Cash on deposit | 63 | 63 | 63 | 63 |
| Total cash and cash equivalents | 7,079 | 12,953 | 6,197 | 12,481 |

Cash on deposit at call in the Group bears an average floating interest rate of 2.44% per annum (2013: 2.69% per annum).

Cash on deposit at call in the ALL Group bears an average floating interest rate of 2.50% per annum (2013: 2.75% per annum).

34. Cash flow information

(a) Reconciliation of profit to net cash flows from operating activities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| Profit | 49,002 | 35,617 | 5,056 | 7,093 |
| <i>Non-cash items</i> | | | | |
| Depreciation of property, plant and equipment | 35,588 | 29,398 | 14,552 | 10,335 |
| Amortisation | 6,415 | 7,857 | 6,415 | 7,758 |
| Depreciation of livestock | 40 | 48 | 40 | 48 |
| Security-based payments | 1,996 | 1,378 | 6,203 | 3,634 |
| Provision for doubtful debts | 122 | 46 | 122 | 46 |
| Loss/(gain) on sale of property, plant and equipment and livestock | 74 | (313) | 81 | (293) |
| Loss on disposal of bowling centre | 1,579 | - | - | - |
| Valuation gains on investment property and property, plant and equipment | (8,590) | (90) | - | - |
| <i>Classified as financing activities</i> | | | | |
| Borrowing costs | 11,330 | 12,288 | 8,766 | 7,531 |
| <i>Classified as investing activities</i> | | | | |
| Unrealised loss/(gain) on derivatives | 613 | (339) | - | - |
| Gain on acquisition | - | (2,613) | - | (2,613) |
| <i>Changes in asset and liabilities:</i> | | | | |
| <i>Decrease/(increase) in assets:</i> | | | | |
| Receivables | (13) | (1,441) | 298 | (2,138) |
| Inventories | 404 | (963) | 404 | (963) |
| Deferred tax assets | (1,818) | 1,344 | (1,818) | 1,344 |
| Other assets | (775) | 992 | (722) | 2,078 |
| <i>Increase/(decrease) in liabilities:</i> | | | | |
| Payables and other liabilities | 3,440 | (1,462) | 2,343 | 4,122 |
| Provisions | (386) | 380 | (386) | 380 |
| Payable to the Trust | - | - | (1,860) | (3,692) |
| Current tax liabilities | (2,120) | 350 | (2,120) | 350 |
| Deferred tax liabilities | 567 | (108) | 567 | (108) |
| Net cash flows from operating activities | 97,468 | 82,369 | 37,941 | 34,912 |

Notes to the Financial Statements for the year ended 30 June 2014

34. Cash flow information (continued)

(b) Non-cash financing and investing activities

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| The following items are not reflected in the Statements of Cash Flows: | | | | |
| Distributions by the Group satisfied during the year by the issue of stapled securities under the DRP | 8,918 | 6,988 | 1,504 | 196 |

35. Net tangible assets

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 |
|---|---|---|
| Net tangible assets are calculated as follows: | | |
| Total assets | 853,007 | 799,742 |
| Less: Intangible assets | (201,237) | (196,788) |
| Less: Total liabilities | (347,505) | (312,452) |
| Net tangible assets | 304,265 | 290,502 |
| Total number of stapled securities on issue | 405,055,708 | 397,803,987 |
| Net tangible asset backing per stapled security | \$0.75 | \$0.73 |

36. Related party disclosures

(a) 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 (Board Chair);
 Roger Davis;
 Anne Keating;
 Don Morris AO;
 Greg Shaw;
 Deborah Thomas (appointed 1 December 2013); and
 George Venardos.

(b) Parent entity

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

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

Notes to the Financial Statements for the year ended 30 June 2014

36. Related party disclosures (continued)

(c) Key controlled entities

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

| Entity | Activity | Country of establishment | Class of equity securities |
|---|---|--------------------------|----------------------------|
| Controlled entities of Ardent Leisure Trust: | | | |
| Ardent Leisure Trust | Principal lessee: Marinas, Bowling centres Freehold owner: Theme parks | Australia | Ordinary |
| Ardent Leisure (NZ) Trust | Principal lessee: Bowling centres | New Zealand | Ordinary |
| Goodlife Subtrust | Principal lessee: Health clubs | Australia | Ordinary |
| Controlled entities of Ardent Leisure Limited: | | | |
| Ardent Leisure Limited | Theme Parks, Marinas | Australia | Ordinary |
| Bowling Centres Australia Pty Limited | Bowling centres | Australia | Ordinary |
| Ardent Leisure Operations (NZ) Limited | Bowling centres | New Zealand | Ordinary |
| Main Event Holdings, Inc | Family Entertainment | USA | Ordinary |
| Goodlife Operations Pty Limited | Health clubs | Australia | Ordinary |
| Hypoxi Australia Pty Limited | Targeted weight loss solutions | Australia | Ordinary |

(d) Transactions with related parties

Key management personnel

| | Consolidated Group 2014 \$ | Consolidated Group 2013 \$ | ALL Group 2014 \$ | ALL Group 2013 \$ |
|------------------------------|----------------------------------|----------------------------------|-------------------------|-------------------------|
| Short-term employee benefits | 4,154,998 | 3,801,827 | 4,154,998 | 3,801,827 |
| Post-employment benefits | 162,234 | 141,779 | 162,234 | 141,779 |
| Long-term benefits | - | 5,564 | - | 5,564 |
| Termination benefits | - | - | - | - |
| Share-based payments | 1,194,933 | 1,153,684 | 4,305,134 | 3,053,700 |
| | 5,512,165 | 5,102,854 | 8,622,366 | 7,002,870 |

Remuneration of key management personnel (KMP) is shown in the Directors' report from page 13 to page 29.

(e) Loans to KMP

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

(f) Other transactions with KMP

During the year, the Group entered into commercial arm's length agreements with companies of interest to Roger Davis by virtue of his position as a non-executive director of those companies or their subsidiaries. The Directors fully disclose their interest in accordance with section 195(1) of the Corporations Act 2001.

All agreements have been entered into on normal commercial bases. The fees and transactions were all based on normal commercial terms and conditions. Related party balances above are on interest free terms.

Apart from the details disclosed in these financial statements, no Director has entered into a material contract with the Group and there were no material contracts involving Directors' interests existing at year end not previously disclosed.

Notes to the Financial Statements

for the year ended 30 June 2014

36. Related party disclosures (continued)

(g) Transactions with controlled entities

All transactions with controlled entities were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured and are repayable in cash. The terms and conditions of the tax funding agreement are set out in Note 10(e). The transactions incurred in the year with controlled entities were:

| | Consolidated Group 2014 \$ | Consolidated Group 2013 \$ | ALL Group 2014 \$ | ALL Group 2013 \$ |
|---|-------------------------------------|-------------------------------------|-------------------------|-------------------------|
| Purchases of goods | | | | |
| Reimbursable expenses to related parties | (7,438) | (1,919) | (7,438) | (1,919) |
| Tax consolidation legislation | | | | |
| Current tax payable assumed from wholly-owned tax consolidated entities | - | - | (7,287,779) | (6,130,526) |
| Loans from Ardent Leisure Trust | | | | |
| Balance at the beginning of the year | - | - | (113,598,779) | (124,257,619) |
| Loans advanced | - | - | (94,287,532) | (110,206,569) |
| Loan repayments made | - | - | 88,095,545 | 133,797,179 |
| Foreign exchange movements | - | - | 594 | (5,726,799) |
| Interest charged | - | - | (5,575,220) | (7,204,972) |
| Balance at the end of the year | - | - | (125,365,392) | (113,598,780) |

37. Segment information

Business segments

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

Health clubs

This comprises 68 centres in Queensland, New South Wales, Victoria, South Australia and Western Australia and one independent Hypoxi studio in New South Wales.

Family entertainment centres

This segment comprises of 14 Main Event sites in Texas, Arizona and Georgia, United States of America.

Theme parks

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

Marinas

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

Bowling centres

This segment comprises 50 bowling centres and three amusement arcades located in Australia and New Zealand.

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 and amortisation of intangible assets and impairment of goodwill. As shown in Note 11, 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.

Notes to the Financial Statements

for the year ended 30 June 2014

37. Segment information (continued)

Business segment 2014

Consolidated Group

| | Health clubs \$'000 | Family entertainment centres \$'000 | Theme parks \$'000 | Marinas \$'000 | Bowling centres \$'000 | Other \$'000 | Total \$'000 |
|--|------------------------|--|-----------------------|-------------------|---------------------------|-----------------|-----------------|
| Revenue from operating activities | 164,070 | 98,121 | 100,139 | 23,466 | 113,889 | 18 | 499,703 |
| Divisional EBITDA before property costs ⁽¹⁾ | 70,249 | 36,896 | 33,867 | 12,944 | 38,907 | (1) | 192,862 |
| Divisional EBITDA ⁽²⁾ | 33,990 | 24,714 | 32,799 | 10,396 | 13,765 | (1) | 115,663 |
| Depreciation and amortisation ⁽³⁾ | (6,902) | (6,626) | (4,982) | (858) | (7,274) | (506) | (27,148) |
| Divisional EBIT⁽⁴⁾ | 27,088 | 18,088 | 27,817 | 9,538 | 6,491 | (507) | 88,515 |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and intangible asset amortisation not included in divisional EBIT | | | | | | | (19,020) |
| Valuation gains - Property, plant and equipment | | | | | | | 8,590 |
| Loss on closure of bowling centre | | | | | | | (1,579) |
| Loss on disposal of assets | | | | | | | (453) |
| Gain on sale and leaseback of family entertainment centre | | | | | | | 379 |
| Net loss from derivative financial instruments | | | | | | | (613) |
| Interest income | | | | | | | 211 |
| Corporate costs | | | | | | | (12,545) |
| Business acquisition costs | | | | | | | (277) |
| Borrowing costs | | | | | | | (11,330) |
| Net tax expense | | | | | | | (2,876) |
| Profit | | | | | | | 49,002 |
| Total assets | 211,691 | 138,167 | 262,225 | 103,734 | 131,157 | 6,033 | 853,007 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 24,174 | 56,871 | 8,516 | 2,725 | 7,598 | 1,809 | 101,693 |

(1) Excludes pre-opening expenses of \$2,579,000.

(2) Excludes straight lining of fixed rent increases of \$1,546,000 and pre-opening expenses of \$2,579,000.

(3) Excludes IFRS depreciation of \$8,562,000 and amortisation of intangible assets totalling \$6,333,000.

(4) Excludes of pre-opening expenses of \$2,579,000, straight lining of fixed rent increases of \$1,546,000, IFRS depreciation of \$8,562,000 and amortisation of intangible assets of \$6,333,000.

Notes to the Financial Statements

for the year ended 30 June 2014

37. Segment information (continued)

Business segment 2013

Consolidated Group

| | Health clubs \$'000 | Family entertainment centres \$'000 | Theme parks \$'000 | Marinas \$'000 | Bowling centres \$'000 | Other \$'000 | Total \$'000 |
|--|------------------------|--|-----------------------|-------------------|---------------------------|-----------------|-----------------|
| Revenue from operating activities | 140,689 | 72,695 | 97,086 | 23,141 | 115,230 | 62 | 448,903 |
| Divisional EBITDA before property costs ⁽¹⁾ | 60,032 | 26,921 | 32,211 | 13,034 | 36,381 | (7) | 168,572 |
| Divisional EBITDA ⁽²⁾ | 30,329 | 17,541 | 30,450 | 10,687 | 12,773 | (7) | 101,773 |
| Depreciation and amortisation ⁽³⁾ | (5,064) | (4,601) | (5,172) | (762) | (6,762) | (283) | (22,644) |
| Divisional EBIT⁽⁴⁾ | 25,265 | 12,940 | 25,278 | 9,925 | 6,011 | (290) | 79,129 |
| Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation and intangible asset amortisation not included in divisional EBIT | | | | | | | (18,497) |
| Valuation gains - investment properties | | | | | | | 90 |
| Gain on disposal of assets | | | | | | | 313 |
| Gain on acquisition | | | | | | | 2,613 |
| Net gain from derivative financial instruments | | | | | | | 602 |
| Interest income | | | | | | | 228 |
| Corporate costs | | | | | | | (11,192) |
| Business acquisition costs | | | | | | | (1,507) |
| Borrowing costs | | | | | | | (12,288) |
| Net tax expense | | | | | | | (3,874) |
| Profit | | | | | | | 35,617 |
| Total assets | 200,261 | 102,401 | 249,000 | 101,446 | 134,184 | 12,450 | 799,742 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 87,487 | 24,679 | 6,964 | 2,372 | 15,458 | 1,509 | 138,469 |

(1) Excludes pre-opening expenses of \$2,527,000.

(2) Excludes straight lining of fixed rent increases of \$1,311,000 and pre-opening expenses of \$2,527,000.

(3) Excludes IFRS depreciation of \$6,920,000 and amortisation of intangible assets totalling \$7,739,000.

(4) Excludes of pre-opening expenses of \$2,527,000, straight lining of fixed rent increases of \$1,311,000, IFRS depreciation of \$6,920,000 and amortisation of intangible assets of \$7,739,000.

Notes to the Financial Statements

for the year ended 30 June 2014

37. Segment information (continued)

Business segment 2014

ALL Group

| | Health clubs \$'000 | Family entertainment centres \$'000 | Theme parks \$'000 | Marinas \$'000 | Bowling centres \$'000 | Other \$'000 | Total \$'000 |
|---|---------------------------|--|--------------------------|-------------------|------------------------------|-----------------|-----------------|
| Revenue from operating activities | 164,070 | 98,121 | 100,139 | 23,466 | 113,889 | 18 | 499,703 |
| Divisional EBITDA before rent to Trust ⁽¹⁾ | 58,545 | 24,714 | 33,867 | 12,944 | 38,712 | (1) | 168,781 |
| Divisional EBITDA after rent to Trust ⁽¹⁾ | 22,520 | 24,714 | 2,854 | 956 | 5,192 | - | 56,236 |
| Depreciation and amortisation ⁽²⁾ | (6,830) | (6,626) | (250) | (5) | (456) | (507) | (14,674) |
| Divisional EBIT⁽³⁾ | 15,690 | 18,088 | 2,604 | 951 | 4,736 | (507) | 41,562 |
| Pre-opening expenses, straight lining of fixed rent increases and intangible asset amortisation not included in divisional EBIT | | | | | | | (9,791) |
| Loss on disposal of assets | | | | | | | (460) |
| Gain on sale and leaseback of family entertainment centre | | | | | | | 379 |
| Interest income | | | | | | | 99 |
| Foreign exchange loss | | | | | | | (25) |
| Corporate costs | | | | | | | (15,038) |
| Business acquisition costs | | | | | | | (277) |
| Borrowing costs | | | | | | | (8,766) |
| Net tax expense | | | | | | | (2,627) |
| Profit | | | | | | | 5,056 |
| Total assets | 172,903 | 138,365 | 14,834 | 1,753 | 33,183 | 5,365 | 366,403 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 20,943 | 56,870 | 2,464 | 129 | 3,524 | 1,809 | 85,739 |

(1) Excludes pre-opening expenses of \$2,579,000 and straight lining of fixed rent of \$879,000.

(2) Excludes amortisation of intangible assets of \$6,333,000.

(3) Excludes pre-opening expenses of \$2,579,000, straight lining of fixed rent of \$879,000 and amortisation of intangible assets of \$6,333,000.

Notes to the Financial Statements

For the year ended 30 June 2014

37. Segment information (continued)

Business segment 2013

ALL Group

| | Health clubs \$'000 | Family entertainment centres \$'000 | Theme parks \$'000 | Marinas \$'000 | Bowling centres \$'000 | Other \$'000 | Total \$'000 |
|---|---------------------------|--|--------------------------|-------------------|------------------------------|-----------------|-----------------|
| Revenue from operating activities | 140,689 | 72,695 | 97,086 | 23,141 | 115,230 | 62 | 448,903 |
| Divisional EBITDA before rent to Trust ⁽¹⁾ | 51,621 | 17,541 | 32,211 | 13,034 | 36,381 | (7) | 150,781 |
| Divisional EBITDA after rent to Trust ⁽¹⁾ | 22,088 | 17,541 | 2,716 | 956 | 5,676 | (7) | 48,970 |
| Depreciation and amortisation ⁽²⁾ | (5,021) | (4,601) | (151) | - | (347) | (283) | (10,403) |
| Divisional EBIT⁽³⁾ | 17,067 | 12,940 | 2,565 | 956 | 5,329 | (290) | 38,567 |
| Pre-opening expenses, straight lining of fixed rent increases and intangible asset amortisation not included in divisional EBIT | | | | | | | (11,002) |
| Gain on disposal of assets | | | | | | | 293 |
| Gain on acquisition | | | | | | | 2,613 |
| Interest income | | | | | | | 185 |
| Foreign exchange gain | | | | | | | 236 |
| Corporate expenses | | | | | | | (11,020) |
| Business acquisition costs | | | | | | | (1,607) |
| Borrowing costs | | | | | | | (7,531) |
| Net tax expense | | | | | | | (3,641) |
| Profit | | | | | | | 7,093 |
| Total assets | 161,592 | 102,599 | 15,535 | 1,268 | 29,816 | 12,983 | 323,793 |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 83,272 | 24,679 | 18 | - | 277 | 1,512 | 109,758 |

(1) Excludes pre-opening expenses of \$2,438,000 and straight lining of fixed rent of \$825,000.

(2) Excludes amortisation of intangible assets of \$7,739,000.

(3) Excludes pre-opening expenses of \$2,438,000, straight lining of fixed rent of \$825,000 and amortisation of intangible assets of \$7,739,000.

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management

(a) Capital risk management

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

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

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

The Group has a target gearing ratio of 30% - 35% of debt to debt plus equity. At 30 June 2014, gearing was 34.1% (2013: 32.0%) compared to Group's banking covenant of 40% and the Group has complied with the financial covenants of its borrowing facilities in the current and previous financial years.

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

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

(b) Financial risk management

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

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk.

The Group manages its exposure to these financial risks in accordance with the Group's Financial Risk Management (FRM) policy as approved by the Board.

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

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

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

(c) Market risk

Foreign exchange risk

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

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

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

The majority of derivatives utilised to manage this consolidated exposure are held by the Trust. Therefore, the information provided below is only meaningful for the Group.

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Foreign investment

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

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

| | Australian dollars | | New Zealand dollars | | US dollars | |
|---|--------------------|----------------|---------------------|--------------|----------------|----------------|
| Consolidated Group | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 4,231 | 8,983 | 998 | 529 | 1,850 | 3,441 |
| Receivables and other current assets | 15,506 | 21,926 | 46 | 432 | 10,179 | 3,873 |
| Derivative financial instruments | - | 575 | - | - | - | - |
| Property held for sale | - | 4,210 | - | - | 10,650 | - |
| Investment properties | 95,870 | 95,232 | - | - | - | - |
| Property, plant and equipment | 437,235 | 408,534 | 2,122 | 2,075 | 70,805 | 51,306 |
| Intangible assets | 155,710 | 150,186 | 3,596 | 3,279 | 41,931 | 43,323 |
| Other non-current assets | 103 | 1,814 | 18 | 24 | 2,157 | - |
| Total assets | 708,655 | 691,460 | 6,780 | 6,339 | 137,572 | 101,943 |
| Liabilities | | | | | | |
| Payables and other current liabilities | 48,948 | 58,305 | 407 | 544 | 25,513 | 12,836 |
| Derivative financial instruments | 1,463 | 1,891 | - | - | - | - |
| Interest bearing liabilities | 162,569 | 152,081 | - | - | 97,703 | 75,785 |
| Other non-current liabilities | 10,902 | 2,011 | - | - | - | 8,999 |
| Total liabilities | 223,882 | 214,288 | 407 | 544 | 123,216 | 97,620 |
| Net assets | 484,773 | 477,172 | 6,373 | 5,795 | 14,356 | 4,323 |
| Notional value of derivatives | - | - | - | - | 4,477 | 5,752 |
| Net exposure to foreign exchange movements | 484,773 | 477,172 | 6,373 | 5,795 | 18,833 | 10,075 |

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Foreign investment (continued)

| | Australian dollars | | New Zealand dollars | | US dollars | |
|---|--------------------|----------------|---------------------|--------------|----------------|----------------|
| ALL Group | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 4,146 | 8,902 | 373 | 281 | 1,678 | 3,298 |
| Receivables and other current assets | 12,255 | 21,016 | 144 | 137 | 10,179 | 3,873 |
| Property held for sale | - | 4,210 | - | - | 10,650 | - |
| Property, plant and equipment | 52,658 | 32,144 | - | - | 70,805 | 51,306 |
| Intangible assets | 155,710 | 150,186 | 3,596 | 3,279 | 41,931 | 43,323 |
| Other non-current assets | 103 | 1,814 | 18 | 24 | 2,157 | - |
| Total assets | 224,872 | 218,272 | 4,131 | 3,721 | 137,400 | 101,800 |
| Liabilities | | | | | | |
| Payables and other current liabilities | 40,247 | 49,157 | 347 | 61 | 25,496 | 12,833 |
| Interest bearing liabilities | 125,272 | 113,411 | - | - | 79,615 | 55,173 |
| Other non-current liabilities | 10,950 | 2,011 | - | - | - | 8,999 |
| Total liabilities | 176,469 | 164,579 | 347 | 61 | 105,111 | 77,005 |
| Net assets | 48,403 | 53,693 | 3,784 | 3,660 | 32,289 | 24,795 |
| Net exposure to foreign exchange movements | 48,403 | 53,693 | 3,784 | 3,660 | 32,289 | 24,795 |

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

| Consolidated Group | Profit movement | | Core earnings movement | | Total equity movement | |
|------------------------|-----------------|--------|------------------------|--------|-----------------------|--------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| AUD:USD - increase 10% | (1,712) | (949) | - | - | (1,712) | (949) |
| AUD:USD - decrease 10% | 2,093 | 1,160 | - | - | 2,093 | 1,160 |
| AUD:NZD - increase 10% | (579) | (527) | - | - | (579) | (527) |
| AUD:NZD - decrease 10% | 708 | 644 | - | - | 708 | 644 |

| ALL Group | Profit movement | | Total equity movement | |
|------------------------|-----------------|---------|-----------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| AUD:USD - increase 10% | (2,935) | (2,254) | (2,935) | (2,254) |
| AUD:USD - decrease 10% | 3,588 | 2,755 | 3,588 | 2,755 |
| AUD:NZD - increase 10% | (344) | (333) | (344) | (333) |
| AUD:NZD - decrease 10% | 420 | 407 | 420 | 407 |

Notes to the Financial Statements

for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Foreign income

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

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

Interest rate risk

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

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

The Group has exposures to interest rate risk on its net monetary liabilities, mitigated by the use of interest rate swaps, as shown in the table below. The table also demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the profit, core earnings or equity, while a positive amount reflects a potential net increase.

Consolidated Group

| | Australian interest | | US interest | |
|-----------------------------------|---------------------|------------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed rates | | | | |
| Interest bearing liabilities | (61) | (299) | - | - |
| | (61) | (299) | - | - |
| Floating rates | | | | |
| Cash and cash equivalents | 5,229 | 9,512 | 1,850 | 3,441 |
| Interest bearing liabilities | (163,400) | (152,995) | (98,151) | (76,258) |
| | (158,171) | (143,483) | (96,301) | (72,817) |
| Interest rate swaps | 100,000 | 120,000 | 31,813 | - |
| Net interest rate exposure | (58,171) | (23,483) | (64,488) | (72,817) |

Refer to Note 14 for further details on the interest rate swaps.

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

| ALL Group | Australian interest | | US interest | |
|-----------------------------------|---------------------|------------------|-----------------|-----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Fixed rates | | | | |
| Interest bearing liabilities | (61) | (299) | - | - |
| | (61) | (299) | - | - |
| Floating rates | | | | |
| Cash and cash equivalents | 4,519 | 9,183 | 1,678 | 3,298 |
| Interest bearing liabilities | (125,211) | (113,112) | (80,005) | (55,646) |
| | (120,692) | (103,929) | (78,327) | (52,348) |
| Interest rate swaps | - | - | 31,813 | - |
| Net interest rate exposure | (120,692) | (103,929) | (46,514) | (52,348) |

Sensitivity

| Consolidated Group | Profit movement | | Core earnings movement | | Total equity movement | |
|-------------------------|-----------------|----------------|------------------------|----------------|-----------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| 1% increase in AUD rate | (537) | (223) | (582) | (235) | 593 | 1,179 |
| 1% decrease in AUD rate | 537 | 223 | 582 | 235 | (593) | (1,179) |
| 1% increase in USD rate | (689) | (475) | (645) | (475) | (66) | (475) |
| 1% decrease in USD rate | 689 | 475 | 645 | 475 | 66 | 475 |

| ALL Group | Profit movement | | Total equity movement | |
|-------------------------|-----------------|----------------|-----------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| 1% increase in AUD rate | (1,207) | (1,039) | (1,207) | (1,039) |
| 1% decrease in AUD rate | 1,207 | 1,039 | 1,207 | 1,039 |
| 1% increase in USD rate | (509) | (522) | 113 | (522) |
| 1% decrease in USD rate | 509 | 522 | (113) | 522 |

At reporting date, the Group has fixed 50.4% (2013: 52.4%) of its floating interest exposure.

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(d) Liquidity risk

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

The following tables provide the contractual maturity of the Group's and ALL Group's fixed and floating rate financial liabilities and derivatives as at 30 June 2014. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the values shown in the Balance Sheets. Repayments which are subject to notice are treated as if notice were given immediately.

| Consolidated Group 2014 | Book value \$'000 | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 | 4 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|-------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| Payables | 69,065 | 69,065 | - | - | - | - | - | 69,065 |
| Finance leases | 61 | 61 | - | - | - | - | - | 61 |
| Term debt | 261,551 | 8,880 | 8,880 | 195,616 | 69,020 | - | - | 282,396 |
| Interest rate swaps designated as hedges of the term debt | 1,443 | 881 | 796 | 817 | - | - | - | 2,494 |
| Forward foreign exchange contracts | 20 | 4,597 | - | - | - | - | - | 4,597 |
| Total undiscounted financial liabilities | 332,140 | 83,484 | 9,676 | 196,433 | 69,020 | - | - | 358,613 |

| Consolidated Group 2013 | Book value \$'000 | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 | 4 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|-------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| Payables | 63,977 | 63,977 | - | - | - | - | - | 63,977 |
| Finance leases | 299 | 238 | 61 | - | - | - | - | 299 |
| Term debt | 229,253 | 8,329 | 8,329 | 8,329 | 178,841 | 52,995 | - | 256,823 |
| Interest rate swaps designated as hedges of the term debt | 1,891 | 995 | 336 | 8 | - | - | - | 1,339 |
| Forward foreign exchange contracts | 575 | 5,187 | - | - | - | - | - | 5,187 |
| Total undiscounted financial liabilities | 295,995 | 78,726 | 8,726 | 8,337 | 178,841 | 52,995 | - | 327,625 |

| ALL Group 2014 | Book value \$'000 | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 | 4 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|-------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| Payables | 60,287 | 60,287 | - | - | - | - | - | 60,287 |
| Finance leases | 61 | 61 | - | - | - | - | - | 61 |
| Term debt | 79,851 | 1,225 | 1,225 | 74,329 | 5,620 | - | - | 82,399 |
| Loan from the Trust | 125,365 | 6,547 | 6,547 | 6,547 | 6,547 | 126,477 | - | 152,665 |
| Interest rate swaps designated as hedges of the term debt | 48 | 270 | 270 | 254 | - | - | - | 794 |
| Total undiscounted financial liabilities | 265,612 | 68,390 | 8,042 | 81,130 | 12,167 | 126,477 | - | 296,206 |

| ALL Group 2013 | Book value \$'000 | Less than 1 year \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 | 3 to 4 years \$'000 | 4 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|---|-------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| Payables | 54,343 | 54,343 | - | - | - | - | - | 54,343 |
| Finance leases | 299 | 238 | 61 | - | - | - | - | 299 |
| Term debt | 55,159 | 865 | 865 | 865 | 55,159 | - | - | 57,754 |
| Loan from the Trust | 113,599 | 6,095 | 6,095 | 6,095 | 6,095 | 6,095 | 115,135 | 145,610 |
| Total undiscounted financial liabilities | 223,400 | 61,541 | 7,021 | 6,960 | 61,254 | 6,095 | 115,135 | 258,006 |

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(e) Credit risk

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

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

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

No credit risk has been allocated to cash and cash equivalents. Credit risk adjustments relating to receivables have been applied in line with the accounting policy 1(d). No fair value adjustment has been made to derivative financial assets, with the impact of credit risk being minimal. The Group's maximum exposure to credit risk is noted in the table below.

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

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|----------------------------------|---|---|--------------------------------------|--------------------------------------|
| Cash and cash equivalents | 7,079 | 12,953 | 6,197 | 12,481 |
| Receivables - Australasia | 7,157 | 5,990 | 7,503 | 8,231 |
| Receivables - US | 259 | 1,059 | 259 | 1,059 |
| Derivative financial instruments | - | 575 | - | - |
| | 14,495 | 20,577 | 13,959 | 21,771 |

Notes to the Financial Statements for the year ended 30 June 2014

38. Capital and financial risk management (continued)

(e) Credit risk (continued)

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

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

| | Past due but not impaired | | | | Impaired | Total |
|---------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|------------|--------------|
| | Less than 30 days \$'000 | 31 to 60 days \$'000 | 61 to 90 days \$'000 | More than 90 days \$'000 | \$'000 | \$'000 |
| Consolidated Group | | | | | | |
| 2014 | | | | | | |
| Receivables - Australasia | 1,771 | 407 | 124 | 52 | 804 | 3,158 |
| Receivables - US | 1 | - | - | 37 | - | 38 |
| | 1,772 | 407 | 124 | 89 | 804 | 3,196 |
| Consolidated Group | | | | | | |
| 2013 | | | | | | |
| Receivables - Australasia | 1,403 | 613 | 169 | 126 | 706 | 3,017 |
| Receivables - US | - | - | - | - | - | - |
| | 1,403 | 613 | 169 | 126 | 706 | 3,017 |
| ALL Group | | | | | | |
| 2014 | | | | | | |
| Receivables - Australasia | 1,771 | 407 | 124 | 52 | 804 | 3,158 |
| Receivables - US | 1 | - | - | 37 | - | 38 |
| | 1,772 | 407 | 124 | 89 | 804 | 3,196 |
| ALL Group | | | | | | |
| 2013 | | | | | | |
| Receivables - Australasia | 1,403 | 613 | 169 | 126 | 706 | 3,017 |
| Receivables - US | - | - | - | - | - | - |
| | 1,403 | 613 | 169 | 126 | 706 | 3,017 |

Based on a review of receivables by management, a provision of \$522,000 (2013: \$609,000) has been made against receivables with a gross balance of \$804,000 (2013: \$706,000).

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

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

Notes to the Financial Statements for the year ended 30 June 2014

39. Fair value measurement

(a) Fair value hierarchy

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

- Derivative financial information;
- Land and buildings; and
- Investment properties.

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

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

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

| Consolidated Group 2014 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| Assets measured at fair value: | | | | |
| Investment properties | - | - | 95,870 | 95,870 |
| Property, plant and equipment ⁽¹⁾ | - | - | 346,626 | 346,626 |
| Property held for sale | - | - | 10,650 | 10,650 |
| Derivative financial assets | - | - | - | - |
| Liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 1,463 | - | 1,463 |
| Liabilities for which fair values are disclosed: | | | | |
| Interest bearing liabilities (refer to Note 39(c)) | - | 261,612 | - | 261,612 |
| 2013 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Assets measured at fair value: | | | | |
| Investment properties | - | - | 95,232 | 95,232 |
| Property, plant and equipment ⁽¹⁾ | - | - | 313,673 | 313,673 |
| Derivative financial assets | - | 575 | - | 575 |
| Liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 1,891 | - | 1,891 |

⁽¹⁾ Land and buildings and major rides and attractions.

There has been no transfer between level 1 and level 2 during the year. For changes in level 3 items for the periods ended 30 June 2014 and 30 June 2013, refer to Notes 16, 18 and 19.

Notes to the Financial Statements for the year ended 30 June 2014

39. Fair value measurement (continued)

(a) Fair value hierarchy (continued)

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

| ALL Group 2014 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| Assets measured at fair value: | | | | |
| Property, plant and equipment ⁽¹⁾ | - | - | 50,437 | 50,437 |
| Derivative financial assets | - | - | - | - |
| Liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | 48 | - | 48 |
| Liabilities for which fair values are disclosed: | | | | |
| Interest bearing liabilities (refer to Note 39(c)) | - | 205,277 | - | 205,277 |
| 2013 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Assets measured at fair value: | | | | |
| Property, plant and equipment ⁽¹⁾ | - | - | 28,056 | 28,056 |
| Derivative financial assets | - | - | - | - |
| Liabilities measured at fair value: | | | | |
| Derivative financial liabilities | - | - | - | - |

⁽¹⁾ Land and buildings and major rides and attractions.

There has been no transfer between level 1 and level 2 during the year. For changes in level 3 items for the periods ended 30 June 2014 and 30 June 2013, refer to Note 19.

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2014.

(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 (eg, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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. There are no level 3 financial instruments in either the Group or the ALL Group.

Notes to the Financial Statements for the year ended 30 June 2014

39. Fair value measurement (continued)

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

The fair value of investment properties are determined in line with the policy set out in Note 1(f), with all resulting fair value estimates included in level 3. The current use is considered to be the highest and best use for all investment properties in the Group.

Fair value measurements using significant unobservable inputs

For changes in level 3 items for the period ended 30 June 2014 and 2013 refer to the investment properties and property, plant and equipment Notes 18 and 19.

Valuation inputs and relationships to fair value

The significant unobservable inputs associated with the valuation of the Group's investment properties are as follows:

| | Capitalisation rate (%) | Discount rate (%) | Annual net property income (\$'000) |
|---------|-------------------------|-------------------|-------------------------------------|
| Marinas | 8.8 - 11.6 | 10.8 - 11.8 | 445 - 2,603 |

The fair value of land and buildings and major rides and attractions are determined in line with the policy set out in Note 1(g), with all resulting fair value estimates included in level 3.

| | Capitalisation rate (%) | Discount rate (%) | Annual net property income (\$'000) |
|---------------------------------|-------------------------|-------------------|-------------------------------------|
| Dreamworld and WhiteWater World | 9.6 | 15.0 | 30,482 |
| SkyPoint | 13.7 | 16.3 | 3,344 |

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

| | Capitalisation rate (%) | Discount rate (%) | Annual net property income (\$'000) |
|---|-------------------------|-------------------|-------------------------------------|
| Fair value measurement sensitivity to significant increase in input | Decrease | Decrease | Increase |
| Fair value measurement sensitivity to significant decrease in input | Increase | Increase | Decrease |

When calculating the income capitalisation approach, the net market rent has a strong interrelationship 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.

Notes to the Financial Statements for the year ended 30 June 2014

39. Fair value measurement (continued)

(c) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the Balance Sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to the current market rates or the instruments are short term in nature. Significant differences were identified for the following instruments at 30 June 2014:

| | Carrying amount 2014 \$'000 | Fair value 2014 \$'000 | Discount rate 2014 % | Carrying amount 2013 \$'000 | Fair value 2013 \$'000 | Discount rate 2013 % |
|------------------------------|--------------------------------------|------------------------------|----------------------------|--------------------------------------|------------------------------|----------------------------|
| Consolidated Group | | | | | | |
| Interest bearing liabilities | 261,612 | 254,831 | 4.75 | 229,552 | 222,601 | 4.75 |
| ALL Group | | | | | | |
| Interest bearing liabilities | 205,277 | 198,610 | 4.75 | 169,057 | 164,379 | 4.75 |

In determining the fair value of the interest bearing liabilities, the principal payable \$261,612 has been discounted at a rate of 4.75% 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 are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk. Own credit risk has been included for the first time in the current financial year following the adoption of AASB 13 *Fair Value Measurement*.

40. Contingent liabilities

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

41. Capital and lease commitments

(a) Capital commitments

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

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Property, plant and equipment Payable: | | | | |
| Within one year | 1,204 | 1,920 | 1,204 | 1,920 |
| | 1,204 | 1,920 | 1,204 | 1,920 |

Notes to the Financial Statements for the year ended 30 June 2014

41. Capital and lease commitments (continued)

(b) Lease commitments

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Within one year | 67,885 | 63,044 | 25,418 | 23,160 |
| Later than one year but not later than five years | 228,243 | 230,150 | 94,226 | 98,077 |
| Later than five years | 197,222 | 188,940 | 128,633 | 108,617 |
| | 493,350 | 482,134 | 248,277 | 229,854 |
| Representing: | | | | |
| Cancellable operating leases | 451 | 1,473 | 451 | 1,473 |
| Non-cancellable operating leases | 492,837 | 480,350 | 247,764 | 228,070 |
| Finance leases | 62 | 311 | 62 | 311 |
| | 493,350 | 482,134 | 248,277 | 229,854 |

Operating leases

The majority of non-cancellable operating leases in the Group relate to property leases.

Non-cancellable operating leases in the ALL Group include base rentals payable to the Trust in accordance with the leases for Dreamworld, d'Albora marinas, bowling centre and health club properties. Further amounts are payable in respect of these properties; however, the additional rental calculations are unable to be determined at reporting date as a result of the calculations being based upon future profits of the businesses.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---|---|---|-----------------------------|-----------------------------|
| Within one year | 67,601 | 62,300 | 25,134 | 22,416 |
| Later than one year but not later than five years | 228,014 | 229,110 | 93,996 | 97,037 |
| Later than five years | 197,222 | 188,940 | 128,634 | 108,617 |
| | 492,837 | 480,350 | 247,764 | 228,070 |

Finance leases

Commitments in relation to finance leases are payable as follows:

| | | | | |
|---|-----------|------------|-----------|------------|
| Within one year | 62 | 249 | 62 | 249 |
| Later than one year but not later than five years | - | 62 | - | 62 |
| Minimum lease payments | 62 | 311 | 62 | 311 |
| Less: Future finance charges | (1) | (12) | (1) | (12) |
| Total lease liabilities | 61 | 299 | 61 | 299 |
| Representing lease liabilities: | | | | |
| Current | 61 | 238 | 61 | 238 |
| Non-current | - | 61 | - | 61 |
| | 61 | 299 | 61 | 299 |

The Group leases various plant and equipment with a carrying value of \$492,000 (2013: \$582,000) under finance leases which expire within one to five years. The weighted average interest rate implicit in the leases is 5.41% per annum (2013: 5.41% per annum).

Notes to the Financial Statements for the year ended 30 June 2014

42. Deed of Cross Guarantee

In 2006, ALL, Bowling Centres Australia Pty Limited, Bowl Australia Holdings Pty Limited, Tidebelt Pty Limited and Bowling Centres Australia Catering Services Pty Limited entered into a Deed of Cross Guarantee under which each company guarantees the debts of the others. In 2010, Ardent Leisure Health Clubs 1 Pty Limited, Ardent Leisure Health Clubs 2 Pty Limited, Goodlife Health Clubs Holdings Pty Limited, Goodlife Operations Pty Limited, Ardent Boat Share Pty Limited and Ardent Boat Share Finance Limited executed an Assumption Deed and became parties to the Deed of Cross Guarantee. On 9 October 2012, Fenix Holdings Pty Limited and its controlled entities executed an Assumption Deed and became parties to the Deed of Cross Guarantee. On 28 April 2014, Hypoxi Australia Pty Ltd executed an Assumption Deed and became a party to the Deed of Cross Guarantee.

On 1 July 2012, a Revocation Deed was executed whereby Ardent Boat Share Pty Limited, Ardent Boat Share Finance Limited, Bowl Australia Holdings Pty Limited, Bowling Centres Australia Catering Services Pty Limited and Tidebelt Pty Limited were released from the Deed of Cross Guarantee.

By entering into the deeds, Bowling Centres Australia Pty Limited, Goodlife Operations Pty Limited, Ardent Leisure Health Clubs 1 Pty Limited, Fenix Holdings Pty Limited and Hypoxi Australia Pty Ltd have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated Income Statement

ALL, Bowling Centres Australia Pty Limited, Ardent Leisure Health Clubs 1 Pty Limited, Ardent Leisure Health Clubs 2 Pty Limited, Goodlife Health Clubs Holdings Pty Limited, Goodlife Operations Pty Limited and Hypoxi Australia Pty Ltd represent a 'Closed Group' for the purposes of the Class Order.

Set out below is a consolidated Income Statement for the year ended 30 June 2014 of the Closed Group:

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Revenue from operating activities | 404,224 | 367,834 |
| Purchases of finished goods | (32,140) | (30,451) |
| Salary and employee benefits | (156,564) | (143,279) |
| Borrowing costs | (11,015) | (10,561) |
| Property expenses | (124,956) | (106,510) |
| Depreciation and amortisation | (14,400) | (13,563) |
| Advertising and promotions | (15,734) | (15,279) |
| Repairs and maintenance | (17,737) | (16,859) |
| Pre-opening expenses | (407) | (1,369) |
| Other expenses | (37,053) | (29,709) |
| (Loss)/profit before tax benefit | (5,782) | 254 |
| Income tax benefit | 3,008 | 1,575 |
| (Loss)/profit | (2,774) | 1,829 |

(b) Consolidated Statement of Comprehensive Income

Set out below is a consolidated Statement of Comprehensive Income for the year ended 30 June 2014 of the Closed Group:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| (Loss)/profit | (2,774) | 1,829 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | (2,774) | 1,829 |

Notes to the Financial Statements for the year ended 30 June 2014

42. Deed of cross guarantee (continued)

(c) Consolidated Balance Sheet

Set out below is a consolidated Balance Sheet as at 30 June 2014 of the Closed Group:

| | 2014 \$'000 | 2013 \$'000 |
|--------------------------------------|----------------|----------------|
| Current assets | | |
| Cash and cash equivalents | 4,128 | 8,901 |
| Receivables | 7,035 | 7,582 |
| Inventories | 7,566 | 8,148 |
| Current tax receivables | 1,549 | 1,001 |
| Other | 4,963 | 4,671 |
| Total current assets | 25,241 | 30,303 |
| Non-current assets | | |
| Property, plant and equipment | 46,245 | 36,382 |
| Livestock | 300 | 305 |
| Intangible assets | 135,520 | 131,303 |
| Deferred tax assets | 2,105 | 1,653 |
| Investment in controlled entities | 49,730 | 49,730 |
| Total non-current assets | 233,900 | 219,373 |
| Total assets | 259,141 | 249,676 |
| Current liabilities | | |
| Payables | 47,432 | 42,306 |
| Interest bearing liabilities | 61 | 238 |
| Provisions | 3,272 | 2,990 |
| Other | 1,296 | 1,516 |
| Total current liabilities | 52,061 | 47,050 |
| Non-current liabilities | | |
| Payables | 196,081 | 190,513 |
| Interest bearing liabilities | - | 61 |
| Provisions | 1,625 | 2,011 |
| Total non-current liabilities | 197,706 | 192,585 |
| Total liabilities | 249,767 | 239,635 |
| Net assets | 9,374 | 10,041 |
| Equity | | |
| Contributed equity | 16,309 | 14,202 |
| Reserves | (2,310) | (2,310) |
| Accumulated losses | (4,625) | (1,851) |
| Total equity | 9,374 | 10,041 |

Notes to the Financial Statements for the year ended 30 June 2014

42. Deed of cross guarantee (continued)

(d) Consolidated Statement of Changes in Equity

Set out below is a consolidated Statement of Changes in Equity for the year ended 30 June 2014 of the Closed Group:

| | Contributed equity \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Total \$'000 |
|---|---------------------------------|--------------------|---------------------------------|-----------------|
| Total equity at 30 June 2012 | 11,960 | (2,310) | (3,680) | 5,970 |
| Total comprehensive income | - | - | 1,829 | 1,829 |
| Contributions of equity, net of issue costs | 2,242 | - | - | 2,242 |
| Total equity at 30 June 2013 | 14,202 | (2,310) | (1,851) | 10,041 |
| Total comprehensive income | - | - | (2,774) | (2,774) |
| Contributions of equity, net of issue costs | 2,107 | - | - | 2,107 |
| Total equity at 30 June 2014 | 16,309 | (2,310) | (4,625) | 9,374 |

43. Parent entity financial information

(a) Summary financial information

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|---------------------------------------|---|---|-----------------------------|-----------------------------|
| Balance sheet | | | | |
| Current assets | 11,129 | 14,468 | 7,616 | 10,726 |
| Total assets | 666,435 | 652,062 | 181,702 | 181,709 |
| Current liabilities | 17,854 | 18,538 | 18,862 | 16,383 |
| Total liabilities | 199,559 | 192,725 | 164,353 | 189,995 |
| Equity | | | | |
| Contributed equity | 497,603 | 487,213 | 16,309 | 14,202 |
| Reserves | (2,907) | (3,371) | (2,310) | (2,310) |
| (Accumulated losses)/retained profits | (27,820) | (24,505) | 3,350 | (20,178) |
| | 466,876 | 459,337 | 17,349 | (8,286) |
| Profit/(loss) | 45,710 | 28,960 | 23,528 | (12,093) |
| Total comprehensive income | 46,174 | 30,489 | 23,528 | (12,093) |

(b) Guarantees

In June 2013, Ardent Leisure Trust and Ardent Leisure Limited entered into an agreement to guarantee the obligations of Ardent Leisure US Holding Inc. (a wholly-owned subsidiary of Ardent Leisure Limited) under the terms of the Group's extended syndicated facility arrangements as disclosed in Note 24.

Excluding the above and the deed of cross guarantee (refer to Note 42), there are no other material guarantees entered into by Ardent Leisure Limited and Ardent Leisure Trust in relation to the debts of their subsidiaries.

Notes to the Financial Statements for the year ended 30 June 2014

43. Parent entity financial information (continued)

(c) Contingent liabilities

Ardent Leisure Trust and Ardent Leisure Limited did not have any contingent liabilities at 30 June 2014 or 30 June 2013.

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

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

| | Consolidated Group 2014 \$'000 | Consolidated Group 2013 \$'000 | ALL Group 2014 \$'000 | ALL Group 2013 \$'000 |
|--|---|---|-----------------------------|-----------------------------|
| Property, plant and equipment Payable: | | | | |
| Within one year | - | - | 1,167 | 1,920 |
| | - | - | 1,167 | 1,920 |

Commitments with respect to the above property, plant and equipment have been incurred by ALL on behalf of the Trust for the Australian and New Zealand geographic segments totalling \$1,167,000 (2013: \$1,920,000). Any commitments relating to the Australian and New Zealand geographic segments will therefore be subsequently reimbursed by the Trust the month following payment.

44. Events occurring after reporting date

Subsequent to year end, a distribution of 6.2 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$25.1 million will be paid on or before 29 August 2014 in respect of the half year ended 30 June 2014.

On 16 July 2014, a conditional purchase agreement was entered into for the acquisition of eight health clubs from Fitness First in Western Australia for a total consideration of \$32.5 million, of which \$2.0 million will be deferred for 12 months. The agreement was subject to the completion of satisfactory due diligence, valid assignment of the property leases, Board approval and the Group securing finance. On the 6 August 2013, following the completion of the majority of the above conditions precedent, the Group announced the acquisition and undertook an institutional placement of \$50 million, proceeds of which will be used to fund the above acquisition and the acceleration of the Main Event development pipeline.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matter or circumstance not otherwise dealt with in 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 years subsequent to the year ended 30 June 2014.

Directors' declaration to stapled security holders

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

- (a) The 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 35 to 115 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 30 June 2014 and of their performance, as represented by the results of their operations, their changes in equity and their cash flows, for the financial year ended on that date;
- (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;
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board; and
- (d) At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee as described in Note 42.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Neil Balnaves AO
Director

Sydney
15 August 2014



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

Report on the financial report

We have audited the accompanying financial report which comprises:

- The balance sheet as at 30 June 2014, the income statement, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ardent Leisure Group (the consolidated stapled entity). The consolidated stapled entity, as described in Note 1 to the financial report, comprises Ardent Leisure Trust (the trust) and the entities it controlled at the year's end or from time to time during the financial year.
- The balance sheet as at 30 June 2014, the income statement, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ardent Leisure Limited Group (the ALL Group). The ALL Group, comprises Ardent Leisure Limited (the company or ALL) and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Ardent Leisure Limited and the directors of Ardent Leisure Management Limited, the responsible entity of the Ardent Leisure Trust, (collectively referred to as the "directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Ardent Leisure Group and Ardent Leisure Limited Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated stapled entity's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 27 of the directors' report for the year ended 30 June 2014. The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Ardent Leisure Group and Ardent Leisure Limited Group for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Ardent Leisure Group and Ardent Leisure Limited Group (the consolidated stapled entity) for the year ended 30 June 2014 included on Ardent Leisure Group and Ardent Leisure Limited Group's web site. The directors are responsible for the integrity of Ardent Leisure Group and Ardent Leisure Limited Group's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and



remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Allman', with a large, sweeping horizontal stroke above it.

Timothy J Allman
Partner

Brisbane
15 August 2014