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Ardent Leisure Trust
ARSN 093 193 438
Ardent Leisure Limited
ABN 22 104 529 106
Ardent Leisure Management Limited
ABN 36 079 630 676
(AFS Licence No. 247010)



ASX RELEASE

28 September 2016

The Manager
Company Notices Section
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2016 Annual Report, Corporate Governance Statement and Appendix 4G

In accordance with Listing Rule 4.7, please find attached, for release to the market, the Ardent Leisure Group Annual Report 2016, the Corporate Governance Statement and Appendix 4G.

Yours faithfully

Alan Shedden
Company Secretary

Ardent Leisure Group is a specialist operator of leisure and entertainment assets across Australia, New Zealand and the United States. The Group owns and operates Dreamworld, WhiteWater World, SkyPoint, SkyPoint Climb, d'Albora Marinas, Hypoxi Body Contouring, Goodlife health clubs, AMF and Kingpin bowling centres across Australia and New Zealand. The Group also operates Main Event Entertainment, the fastest growing family entertainment chain in the United States. For further information on the Group's activities please visit our website at www.ardentleisure.com.au

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Annual Financial Report for the year ended 30 June 2016

The financial report was authorised for issue by the Directors of Ardent Leisure Management Limited (ABN 36 079 630 676) and Ardent Leisure Limited (ABN 22 104 529 106) on 23 August 2016. 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 2016.

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;
David Haslingden (appointed 6 July 2015);
Don Morris AO;
Deborah Thomas;
George Venardos; and
Melanie Willis (appointed 17 July 2015).

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 total distribution of income for the year ended 30 June 2016 will be 12.5 cents (2015: 12.5 cents) per stapled security which will be paid by the Group. An interim distribution of 7.0 cents (2015: 7.0 cents) per stapled security was paid in February 2016. This comprised a distribution paid by the Trust of 7.0 cents (31 December 2014: 4.0 cents) and no dividend paid by the Company (31 December 2014: 3.0 cents) per stapled security. A final distribution for the year ended 30 June 2016 of 5.5 cents (2015: 5.5 cents) per stapled security will be paid by the Trust in August 2016. A provision has not been recognised in the financial statements at 30 June 2016 as this distribution had not been declared at the reporting date.

4. Operating and financial review

Overview

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

On 6 October 2015, the Group acquired an amusement arcade at Penrith, NSW for \$1.3 million and a Hypoxi studio in Caroline Springs, Victoria for \$0.1 million. Refer to Note 32 to the financial statements.

On 22 March 2016, the Group announced its decision to sell the Marinas division as part of the Group's refocus on family entertainment and capital management plan, with plans to reinvest the majority of proceeds into Main Event, the family entertainment division in the US. The sale process is well advanced and, at 30 June 2016, this business has been classified as a discontinued operation, with associated assets and liabilities classified as held for sale.

On 19 August 2016, the Group announced that it had entered into a sale agreement to dispose of its entire interests in the health clubs division for gross proceeds (excluding working capital adjustments and selling costs) of \$260.0 million, comprising a cash payment of \$230.0 million and deferred consideration of \$30.0 million in the form of vendor loan notes payable no later than two years from completion. Completion is subject to landlord and other third party approvals and is expected to occur prior to 31 December 2016. The financial information relating to the health clubs division is set out in Note 37 to the financial statements. The Group expects to recognise a profit on disposal.

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 2016 \$'000	Segment revenues 2015 \$'000	Segment EBITDA* 2016 \$'000	Segment EBITDA* 2015 \$'000
Family entertainment centres	238,974	177,123	59,168	45,657
Bowling centres	130,494	116,510	18,224	13,989
Marinas	23,000	22,952	10,157	10,150
Theme parks	107,582	99,571	34,725	32,015
Health clubs	187,555	178,388	30,114	28,152
Other	9	59	-	49
Total	687,614	594,603	152,388	130,012
Depreciation and amortisation*			(47,166)	(36,998)
Divisional EBIT			105,222	93,014
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, decrease in onerous lease provisions, health club brands and customer relationship intangible asset amortisation, impairment of property, plant and equipment and intangible assets and discontinued operation selling costs not included in divisional EBIT			(27,383)	(32,122)
Valuation gain/(loss) - investment properties			2,059	(501)
Loss on closure of bowling centre			-	(104)
Loss on disposal of assets			(514)	(523)
Gain on sale and leaseback of family entertainment centres			1,672	6,959
Net (loss)/gain from derivative financial instruments			(170)	552
Interest income			81	121
Corporate costs			(15,144)	(15,056)
Business acquisition costs refunded/(paid)			134	(1,938)
Borrowing costs			(14,874)	(11,333)
Net tax expense			(8,696)	(6,947)
Profit for the year			42,387	32,122
Core earnings (Note 11 to the financial statements)			62,395	56,234

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

Profit for the year increased by \$10.3 million, or 32.0%, to \$42.4 million, mainly due to the following factors:

- Revenue from operating activities increased by \$93.0 million, or 15.6% to \$687.6 million and divisional EBITDA increased by \$22.4 million, or 17.2%, to \$152.4 million. Further commentary on divisional results is set out separately below;
- There were \$2.1 million of valuation gains on investment properties in the current year compared to a \$0.5 million valuation loss on investment properties in the prior year;
- There was a \$2.2 million reduction in onerous lease provisions in the current year compared to a \$2.6 million increase in onerous lease provisions in the prior year;
- There was a \$2.1 million reduction in business acquisition costs compared to the prior year.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Group results (continued)

However, this was partially offset by the following factors:

- Depreciation (including IFRS depreciation) and amortisation of property, plant and equipment and software increased by \$9.8 million to \$64.7 million;
- Pre-opening expenses increased by \$2.1 million to \$8.6 million;
- There was a \$1.7 million gain on the sale and leaseback on two Main Event family entertainment centres compared \$7.0 million in the prior year;
- \$1.0 million of selling costs associated with sale of d'Albora Marinas were incurred in the current year;
- Borrowing costs increased by \$3.5 million to \$14.9 million; and
- Net tax expenses increased by \$1.7 million to \$8.7 million.

The above factors also delivered an increase in core earnings of \$6.2 million, or 11.0%, to \$62.4 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 properties and property, plant and equipment), straight lining of fixed rent increases, IFRS depreciation, onerous lease costs, impairment of property, plant and equipment and intangible assets, amortisation of intangible assets and one off realised items.

Family entertainment centres

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

	2016 US\$'000	2015 US\$'000	Change %
Total revenue	174,683	143,612	21.6
EBRITDA (excluding pre-opening expenses)	63,996	52,043	23.0
Operating margin	36.6%	36.2%	
Property costs	(20,449)	(15,352)	33.2
EBITDA	43,547	36,691	18.7

During the year, total US dollar revenue grew by 21.6%, driving EBITDA growth of 18.7% underpinned by the success and strong performance of new centres opened over the last 12 months as set out below:

	Revenue 2016 US\$'000	Revenue 2015 US\$'000	Change %	EBRITDA 2016 US\$'000	EBRITDA 2015 US\$'000	Change %
Constant centres	97,739	99,474	(1.7)	44,214	45,280	(2.4)
New centres	76,944	44,138	74.3	33,621	18,681	80.0
Corporate and regional office expenses/sales and marketing	-	-	-	(13,839)	(11,918)	16.1
Total	174,683	143,612	21.6	63,996	52,043	23.0

Seven new centres were opened during the year, bringing the total number of centres to 27 in 10 states. This contributed a \$14.1 million increase in EBRITDA. Over the last two years, the portfolio has more than doubled in size and the success of new centres outside of Texas has confirmed the broader US roll out opportunity and created geographical diversification.

Operating margins for the division have improved to 36.6% due to economies of scale from an increased number of centres and disciplined management of costs of sales and labour.

The division is currently focussed on growing its portfolio with the portfolio expected to grow at a rate of 30-40% per annum, mostly concentrated outside of Texas. Construction is underway on four new locations, with plans for 11 new centres in the next 12 months.

Directors' report to stapled security holders

4. Operating and financial review (continued)

Bowling centres

The performance of bowling centres is summarised as follows:

	2016 \$'000	2015 \$'000	Change %
Total revenue	130,494	116,510	12.0
EBRITDA (excluding pre-opening expenses)	45,291	40,279	12.4
Operating margin	34.7%	34.6%	
Property costs (excluding straight-line rent and onerous lease costs)	(27,067)	(26,290)	3.0
EBITDA	18,224	13,989	30.3

The division recorded total revenues of \$130.5 million, being an increase of 12.0% compared to the prior year. EBITDA grew by 30.3% through a combination of constant centre growth and growth from new centres and acquisitions. Operating margins have increased slightly from 34.6% to 34.7% in the year.

A further analysis of bowling centres' performance is summarised as follows:

	Revenue 2016 \$'000	Revenue 2015 \$'000	Change %	EBRITDA 2016 \$'000	EBRITDA 2015 \$'000	Change %
Constant centres	113,623	109,086	4.2	54,909	53,061	3.5
Centres closed	991	2,497	(60.3)	269	856	(68.6)
New centres/acquisitions	15,880	4,874	225.8	8,087	2,652	204.9
Corporate and regional office expenses/sales and marketing	-	53	(100.0)	(17,974)	(16,290)	10.3
Total	130,494	116,510	12.0	45,291	40,279	12.4

The division experienced four consecutive quarters of constant centre and new centre revenue growth which, combined with a strong focus on management of operational costs, delivered EBITDA growth of 30.3%. Solid revenue growth was driven by a multi-attraction entertainment offering (including new food menus in all centres and new amusement games with an improved redemption product offering), targeted multi-channel marketing, digital development and an energised customer service culture focussed on hospitality.

Three new sites were opened over the last 12 months which contributed positively to the division's results: Kingpin Darwin, NT (August 2015), Playtime Penrith, NSW (October 2015) and Playtime Miranda, NSW (February 2016). During the year, the division also exited a centre at Golden Grove, SA and will continue to evaluate divestment opportunities for any under-performing non-core centres.

The division will continue to focus on investing in the customer experience through digital transformation, an improved product offering and better customer service. Key growth initiatives include identification of additional family entertainment and amusements sites, refurbishment and conversion of existing traditional sites to multi-attraction family entertainment centres and the extensive refurbishment of the flagship Kingpin Crown venue which will commence in July 2016 and reopen in December 2016.

Marinas

The performance of marinas is summarised as follows:

	2016 \$'000	2015 \$'000	Change %
Total revenue	23,000	22,952	0.2
EBRITDA	12,569	12,765	(1.5)
Operating margin	54.6%	55.6%	
Property costs	(2,412)	(2,615)	(7.8)
EBITDA	10,157	10,150	0.1

Revenue from marinas increased by 0.2% to \$23.0 million, and EBITDA increased by 0.1% to \$10.2 million. Marina revenue principally comprises the following:

	2016 \$'000	2015 \$'000	Change %
Berthing	13,203	12,865	2.6
Land	5,206	5,220	(0.3)
Fuel and other	4,591	4,867	(5.7)
Total	23,000	22,952	0.2

Directors' report to stapled security holders

4. Operating and financial review (continued)

Marinas (continued)

EBITDA was broadly comparable with the prior year with berthing revenue recovering well through the year after the early adverse impact of the Spit redevelopment. Occupancy was in line with the prior year at 86% and operating margins were strong despite being impacted during the year by one off items such as the Spit redevelopment and Nelson Bay function centre start-up costs.

On 22 March 2016, the Group announced its decision to sell this division as part of the Group's refocus on family entertainment and capital management plan, with plans to reinvest the majority of proceeds into the Main Event family entertainment division in the US.

Theme parks

The performance of the theme parks is summarised as follows:

	2016 \$'000	2015 \$'000	Change %
Total revenue	107,582	99,571	8.0
EBRITDA	35,947	33,163	8.4
Operating margin	33.4%	33.3%	
Property costs	(1,222)	(1,148)	6.4
EBITDA	34,725	32,015	8.5
Attendance	2,413,937	2,132,927	13.2
Per capita spend (\$)	44.57	46.68	(4.5)

Total revenue has increased by \$8.0 million, or 8.0% to \$107.6 million driven by improvements across all major categories. Full year EBITDA earnings increased by 8.5% to \$34.7 million with operating margins improving slightly to 33.4%.

Food and beverage and retail sales performed strongly on new, themed outlets including the new gourmet burger bar and retro-style ice cream parlour. Entry revenue growth has been driven by visitor growth across all key domestic and international markets, particularly China (up 36% over prior year), outstripping the broader Gold Coast tourism growth.

The division continues to focus on delivering unique attractions and experiences to drive attendance and spend. This includes partnerships with iconic brands, including Mattel Hot Wheels, DreamWorks, V8 Supercars and ABC Kids. During the year, the division has benefited from the launch of a new motorsport precinct with state of the art race car simulators, extended summer trade including Beatbox sound and light show and the arrival of new tiger cubs. It has also launched two multi lingual apps to improve the interpretation experience at SkyPoint and Dreamworld Corroboree.

The SkyPoint business continues to perform well, with strong growth across all revenue segments, and surpassed \$10.0 million in annual revenue for the first time.

The division has received excellent customer feedback with customer satisfaction up on all measures. Customer research has helped guide investment decisions around improving service levels and park development. This includes expanded shows and entertainment, continued focus on park presentation, theming and atmosphere, investment in queue line entertainment and earlier opening during peak periods.

The division will continue to focus on developing new and unique attractions and food, retail and events products. This includes plans for new Asian themed food and retail outlets at Tiger Island, a 270 seat undercover event space, unique indigenous experiences at Corroboree, extended summer opening hours and virtual reality experiences. The redeveloped, interactive Tiger Island is expected to re-open in September 2016 and Australia's largest LEGO retail store is expected to launch in November 2016.

Health clubs

The performance of health clubs is summarised as follows:

	2016 \$'000	2015 \$'000	Change %
Total revenue	187,555	178,388	5.1
EBRITDA (excluding pre-opening expenses)	77,511	72,543	6.8
Operating margin	41.3%	40.7%	
Property costs (excluding straight-line rent and onerous lease costs)	(47,397)	(44,391)	6.8
EBITDA	30,114	28,152	7.0

Directors' report to stapled security holders

4. Operating and financial review (continued)

Health clubs (continued)

Revenue from the health clubs division increased by 5.1% to \$187.6 million for the year, underpinned by exceptional member sales and growth in average revenue per member.

	Revenue 2016 \$'000	Revenue 2015 \$'000	Change %	EBRITDA 2016 \$'000	EBRITDA 2015 \$'000	Change %
Constant clubs	160,392	157,055	2.1	81,421	77,249	5.4
Clubs closed	30	342	(91.2)	10	(18)	(155.6)
New clubs/acquisitions	24,568	18,156	35.3	13,133	9,824	33.7
Corporate and regional office expenses/sales and marketing	2,565	2,835	(9.5)	(17,053)	(14,512)	17.5
Total	187,555	178,388	5.1	77,511	72,543	6.8

Constant clubs recorded significant improvement in EBRITDA performance, with a 5.4% increase on prior year driven by various initiatives including conversion to 24/7 operations, a full service large format offering and an improved program and product offering. As a result, constant centre members grew by over 14,000 members during the year.

45 clubs were converted to 24/7 operations in the year, with a further 19 clubs on schedule to be converted by the end of June 2017. Sales in these converted clubs were up 36% and leavers down 18% on prior corresponding periods.

The divisional operating margin has improved from 40.7% to 41.3%, with continued focus on cost control including reduced staff in 24/7 clubs, rostering improvements, targeted marketing spend and utility efficiency programs.

New clubs at Docklands, VIC (March 2016) and Success, WA (April 2015) continue to perform ahead of expectations.

As noted above, on 19 August 2016, the Group announced that it had entered into a sale agreement to dispose of this division with completion expected to occur prior to 31 December 2016.

Strategic focus

Overall, the Group benefits from the diversity of its operating divisions. Each of the divisions has a growth strategy for FY17 with a common theme that offers customers quality affordable leisure experiences, innovative products and a consistently high level of customer service, customer engagement and importantly, value for money.

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

Customer	To be truly customer centric by using research, feedback and customer analytics to deliver more innovative and relevant customer experiences that meet the ever-changing needs of our customers. To create awesome, highly valued leisure experiences that encourage more people, to visit more often and spend more with us.
People	To deliver enhanced customer service and satisfaction through "noticeably better people and culture" by providing all staff with superior training, development, reward and recognition.
Volume	To drive increased volume with competitive value propositions, effective marketing, better customer service and loyalty rewards. Our aim is to maximise capacity without impacting margin.
Efficiency	To produce greater operational efficiencies by leveraging Group buying capacity and volume. To create better outcomes and solutions for our customers and staff with investment in technology and effective IT systems.

5. Significant changes in the state of affairs

As noted above, on 22 March 2016, the Group announced its decision to sell the Marinas division as part of the Group's capital management plan and to reinvest the majority of proceeds into the Group's Family entertainment centres division in the US. In addition, on 19 August 2016, the Group announced that it had entered into a sale agreement to dispose of the Health clubs division.

In the opinion of the Directors, there were no other 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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Value of total assets	1,157,632	996,507	649,324	499,065
Value of net assets	619,983	579,482	174,883	151,007

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 2016	Consolidated Group 2015
Stapled securities on issue at the beginning of the year	442,322,106	405,055,708
Stapled securities issued under Distribution Reinvestment Plan	19,377,615	6,358,756
Stapled securities issued for Fitness First WA placement	-	20,746,888
Stapled securities issued for Security Purchase Plan	-	8,298,754
Stapled securities issued as part of ALL's employee security-based payments plans	1,339,895	1,862,000
Stapled securities on issue at the end of the year	463,039,616	442,322,106

8. Information on current Directors

Neil Balnaves AO

Chair

Appointed:

Ardent Leisure Management Limited – 26 October 2001.

Ardent Leisure Limited – 28 April 2003.

Age: 72.

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 was appointed Chancellor of Charles Darwin University on 21 April 2016 and is also 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:

3,001,510.

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: 64.

Roger Davis was appointed a Director of the Company in May 2008 and the Manager in September 2009. Roger brings to the Board over 35 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:

The Trust Company Limited (resigned 30 November 2013).

Interest in stapled securities:

200,658.

David Haslingden
Director

Appointed:

Ardent Leisure Management Limited – 6 July 2015.

Ardent Leisure Limited – 6 July 2015.

Age: 55.

David Haslingden was appointed a Director of both the Manager and the Company in July 2015 and brings to the Board considerable international business experience, particularly in the US and Australia.

David owns and operates the RACAT Group of television production companies in Australia and overseas, including Natural History New Zealand, Northern Pictures and ZooMoo. He is also a Director of US charity WildAid, having been Chairman for the eight years prior to 2015.

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

David is a member of the Remuneration and Nomination Committee and the Safety, Sustainability and Environment Committee.

Former listed directorships in the last three years:

Nine Entertainment Co. Holdings Limited (resigned 1 March 2016).

Interest in stapled securities:

160,000.

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: 71.

Don Morris was appointed a Director of both the Manager and the Company 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 'I 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 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 Fantasea Cruising Pty Limited, Riverside Marine NSW Pty Limited, 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 and the Safety, Sustainability & Environment Committee.

Former listed directorships in the last three years:

None.

Interest in stapled securities:

13,950.

Directors' report to stapled security holders

8. Information on current Directors (continued)

Deborah Thomas

Managing Director and Chief Executive Officer

Appointed:

Ardent Leisure Management Limited – 1 December 2013.

Ardent Leisure Limited – 1 December 2013.

Age: 60.

Deborah Thomas was appointed a Director of both the Manager and the Company in December 2013. On 10 March 2015, Deborah was appointed as the Managing Director and Chief Executive Officer of the Group and commenced in this role on 7 April 2015.

One of Australia's most successful publishing executives, Deborah brings over 28 years of experience in media to the role of Chief Executive Officer. A former Editor-in-Chief of The Australian Women's Weekly, a position she held for almost a decade, Deborah has a deep understanding of product innovation, marketing, retail sales, advertising, digital development and communications.

As Editorial Director across Bauer Media's portfolio of Women's Lifestyle magazines and Custom Publishing Deborah was responsible for editorial direction, customer relationships, corporate marketing, public affairs, events and new revenue streams. These initiatives included licensed products for major brands in partnership with retail stores across Australia and New Zealand. Deborah was a Director on the Board of Post ACP, the company's joint venture between Bauer Media and the Bangkok Post (Thailand), former Deputy Chair of the National Library of Australia and a founding member of the Taronga Conservation Foundation.

Former listed directorships in the last three years:

None.

Interest in stapled securities:

31,358.

George Venardos

Director

Appointed:

Ardent Leisure Management Limited – 22 September 2009.

Ardent Leisure Limited – 22 September 2009.

Age: 58.

George Venardos was appointed a Director of both the Manager and the Company in September 2009. George is a Chartered Accountant with more than 35 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 Chartered Accountants Australia and New Zealand, 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 both the Audit and Risk Committee and the Remuneration and Nomination Committee and is also a member of the Safety, Sustainability and Environment Committee.

Former listed directorships in the last three years:

None.

Interest in stapled securities:

209,857.

Directors' report to stapled security holders

8. Information on current Directors (continued)

Melanie Willis

Director

Appointed:

Ardent Leisure Management Limited – 17 July 2015.

Ardent Leisure Limited – 17 July 2015.

Age: 51.

Melanie Willis was appointed a Director of both the Manager and the Company in July 2015 bringing significant experience in the global financial, investment banking and professional services sectors. Melanie has had extensive exposure to leisure related businesses and is currently a non-executive director of Mantra Group (an Australian hotel and resort marketer and operator with over 20,000 rooms) and Pepper Group (a leading non-bank lender and third party servicer with operations in Australia, Europe and Asia). Melanie is also a Non-Executive Director and Chair of the Audit & Risk Committee of Southern Cross Media Group Limited.

Previously, she was Chief Executive Officer of NRMA Investments where she was responsible for the tourism and leisure portfolio. She holds a Bachelor of Economics from The University of Western Australia, a Masters of Law (Tax) from The University of Melbourne and a Company Director Diploma from the Australian Institute of Company Directors.

Melanie is a member of both the Audit and Risk Committee and the Remuneration and Nomination Committee.

Former listed directorships in the last three years:

Crowe Horwath Limited (resigned 30 October 2014).

Interest in stapled securities:

9,674.

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	10	9	4	3	6	6	N/A	N/A
Roger Davis	10	8	4	4	6	6	4	4
David Haslingden	10	10	N/A	N/A	5	4	4	3
Don Morris AO	10	10	N/A	N/A	6	6	4	4
Deborah Thomas	10	10	N/A	N/A	N/A	N/A	4	4
George Venardos	10	10	4	4	6	6	4	4
Melanie Willis	10	10	3	3	5	5	N/A	N/A

10. Company Secretary

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

Alan has over 18 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 also acts as Group General Manager Corporate Services and provides guidance to the human resources, health and safety, insurance, compliance, risk and energy efficiency functions. 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 2016.

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

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

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

(a) Remuneration framework and strategy

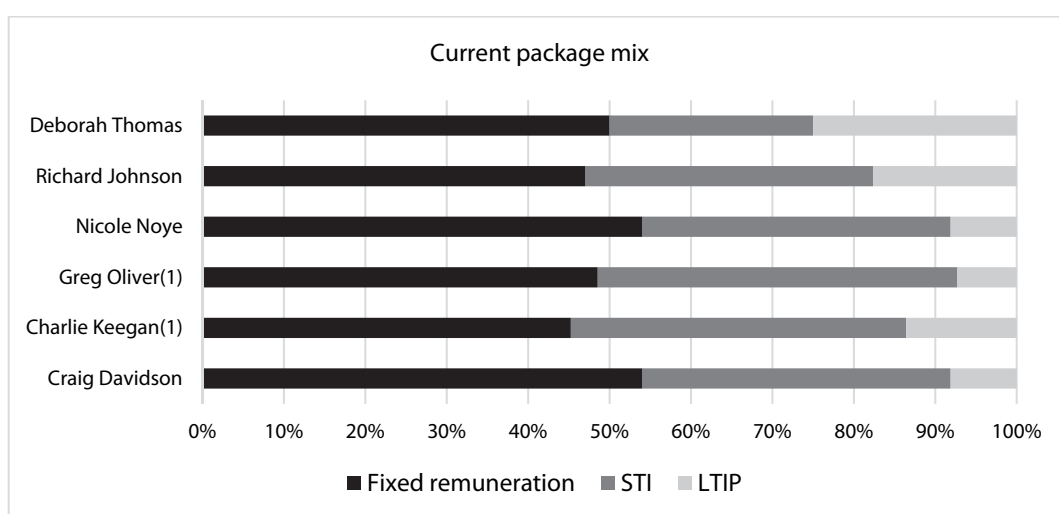
The objective of the Group's executive framework is to attract and retain high quality executives by ensuring that executive remuneration is competitive with prevailing employment market conditions and also providing sufficient motivation by ensuring that remuneration is aligned to the Group's results.

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 2016, the KMP for the Group comprise the Independent Directors and the following:

Position	Name
Chief Executive Officer	Deborah Thomas
Chief Financial Officer	Richard Johnson
CEO – Bowling centres	Nicole Noye
CEO – Health clubs	Greg Oliver
CEO – Main Event	Charlie Keegan
CEO – Theme parks	Craig Davidson

(i) Package structure review

Over the course of the past six years, an inconsistency of relative package mix between the Group's KMP has arisen. This is largely due to structural remuneration changes driven by senior appointments and the evolution of the Group towards a truly global business with the significant growth of the Main Event Entertainment division. The current package mix for KMP is shown below:



Throughout the financial year, a program of work has been undertaken to review and recommend changes to KMP packages and relative mix. The scope of the review was to identify opportunities to ensure that the overall framework reflects both market and current best practice including the adoption of a face value methodology for calculating grant of equity awards to replace the previous fair value LTIP grant calculation methodology. A number of alterations have been considered by the Directors and the following have been adopted:

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(i) Package structure review (continued)

LTIP valuation methodology

Effective for LTIP grants in the 2017 financial year and beyond, the Board has adopted a revised valuation methodology to calculate the number of equity rights to grant to participants. The revised methodology will use the Group's volume weighted average price (VWAP) for the five preceding days up to and including the date of the Board meeting approving the grant.

A corresponding adjustment will be made to KMP entitlements under the LTIP whereby contractual entitlements were increased by 33.3% (one third) to compensate for the change in grant valuation methodology from fair value to face value.

Gateway hurdle

In addition, for any equity rights to vest under the LTIP an initial Gateway Hurdle must be met or exceeded. The Gateway Hurdle adopted by the Board will apply a minimum return on equity target equal to or greater than 2.5x the 10 year bond yield rate for Australian Government bonds. Should the Gateway Hurdle be met, then the remaining performance hurdles must also be met.

TSR comparator group

Future grants under the LTIP will no longer be compared against the S&P/ASX Small Industrials Index in calculating total shareholder return (TSR) and instead will be measured against the performance of the S&P/ASX 200 Industrials Index. The use of the S&P/ASX 200 Industrials Index as a comparative peer group better reflects the recent growth of the Group.

LTI performance hurdles

The existing cumulative average growth rate earnings per security (CAGR EPS) and TSR hurdles will remain in place for grants under the LTIP; however, a 33.3% (one third) component of the LTIP will be tenure based with a three year tenure period. The incorporation of a tenure hurdle replaces the existing two year retention tool previously provided by the Deferred STI plan and extends the required retention period from two to three years.

Performance hurdle	% of total
CAGR EPS	33.3%
TSR	33.3%
Tenure (three years)	33.3%
Total	100.0%

Deferred Short Term Incentive Plan

The use of performance rights granted to KMP under the DSTI as deferral of Cash STI will cease with effect from the 2017 financial year. The DSTI remains in place for other executives who do not form part of the Group's KMP.

Options

The LTIP rules also allow for the use of options as the equity vehicle for grants. The Board has reviewed the use of options and determined that options would only be considered for grants to KMP who meet the minimum qualifying holding instead of performance rights. Grants of options under the LTIP will be calculated using a fair value approach.

Minimum qualifying holding

In considering the use of options under the LTIP, the Board has determined that the following minimum security holding requirement would have to be implemented. As at 30 June each year, executives would be required to hold securities in value equal or exceeding their pre-tax fixed remuneration. If an executive did not meet the minimum security holding requirement, then they would automatically receive performance rights in their grant under the LTIP.

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(i) Package structure review (continued)

Automatic vesting

The existing LTIP operates mandatory automatic vesting of performance rights into fully paid stapled securities. Recent changes to the deferred taxing point relating to the exercise of equity rights means that the rights only become taxable when they are actually exercised. As a result of this change, the requirement for automatic vesting of equity rights under the LTIP will be removed.

Stretch cash STI

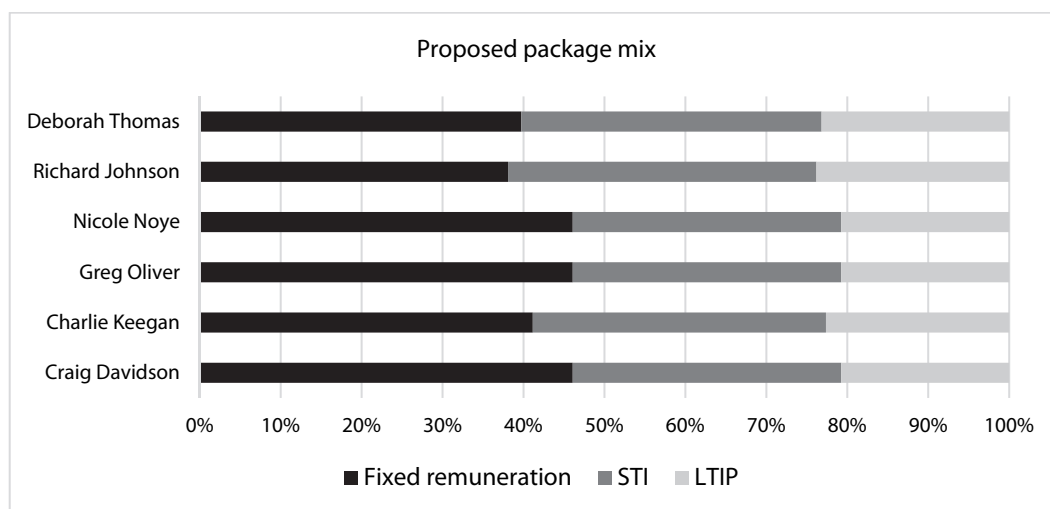
The Board has extended the Stretch Cash STI target previously only offered to the CEO Health clubs and CEO Main Event, to all KMP. The Stretch Cash STI operates purely in relation to the over-achievement of financial KPIs and allows participating executives the opportunity to receive 160% of their target STI if they exceed their financial key performance indicators (KPIs) by 120%.

Delivery of the stretch payment for performance in the 2016 financial year will be made through the issue of performance rights under the terms of the DSTI which vest into fully paid stapled securities over the following one and two years after grant. Thereafter, payment of the Stretch Cash STI will be made in cash.

Package components

In order to equalise the relative package components of KMP the Board has approved a new incentive split whereby the contractual LTIP (after being increased by one third), the target Cash STI and the DSTI have all been combined and then split into two.

This provides for a more equal package split between the Cash STI and LTIP incentive components. With effect from the 2017 financial year, it is proposed that the package mix for KMP will reflect the following:



Throughout this process, the Remuneration and Nomination Committee has sought to maintain the alignment of the interests of key executives with those of investors through the use of performance hurdles 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 advisory work carried out by Ernst & Young constituted a "remuneration recommendation" under the Corporations Act 2001 and was both independently prepared and reported directly to the Chair of the Remuneration and Nomination Committee. As at the date of this remuneration report, the fees that have been paid to Ernst & Young in respect of their engagement in the package structure review are set out below:

Date	Value (ex-GST)
27 October 2015	\$20,600
22 February 2016	\$23,690
3 May 2016	\$25,853
10 June 2016	\$9,991
Total	\$80,134

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(ii) Benchmarking

The 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.

The Board has adopted a process of annual benchmarking of key management personnel (KMP) and accordingly the Remuneration and Nomination Committee commissioned independent benchmarking from Ernst & Young of the packages of all KMP. This report was dated 9 February 2016 and formed part of the Board's program to review KMP package structures that had been commenced in 2015. Any resulting changes to fixed remuneration will take effect in the 2017 financial year.

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

The components of the remuneration package of the Chief Executive Officer and other executive KMP for the 2016 financial year are set out in the table below:

Position	Name	Annual base salary	STI ⁽¹⁾		LTIP ⁽¹⁾	Total annual target remuneration
			Cash	Deferred equity		
Chief Executive Officer	Deborah Thomas	\$670,000	25%	25%	50.00%	\$1,340,000
Chief Financial Officer	Richard Johnson ⁽²⁾	\$591,304	50%	25%	37.50%	\$1,256,521
CEO – Bowling centres	Nicole Noye	\$400,000	35%	35%	15.00%	\$740,000
CEO – Health clubs	Greg Oliver ⁽³⁾	\$490,000	35%	35%	15.00%	\$906,500
CEO – Main Event	Charlie Keegan ⁽³⁾	US\$500,000	35%	35%	30.00%	US\$1,000,000
CEO – Theme parks	Craig Davidson	\$375,000	35%	35%	15.00%	\$693,750

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

(2) During the year, Mr Johnson was awarded a \$75,000 deferred increase of fixed remuneration payable on 1 July 2016.

(3) Total target annual remuneration does not include stretch potential for over-achievement of financial KPIs.

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.

(iii) 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 \$1,200,000 per annum and was set by investors at the 30 October 2014 general meeting.

The Board last reviewed the fee structure in June 2015 and this structure, which remains within the constitutional cap of \$1,200,000 per annum (inclusive of superannuation), is as follows:

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

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(iv) Executive pay

The executive pay and reward framework that was in place during the course of the financial year ended 30 June 2016 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	STI 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.

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 executive KMP are set out below:

Position	Name	Fixed	STI	LTIP
Chief Executive Officer	Deborah Thomas	50.00%	25.00%	25.00%
Chief Financial Officer	Richard Johnson	47.06%	35.29%	17.65%
CEO – Bowling centres	Nicole Noye	54.05%	37.84%	8.11%
CEO – Health clubs	Greg Oliver ⁽¹⁾	54.05%	37.84%	8.11%
CEO – Main Event	Charlie Keegan ⁽¹⁾	50.00%	35.00%	15.00%
CEO – Theme parks	Craig Davidson	54.05%	37.84%	8.11%

(1) Cash STI excludes stretch potential for over-achievement of financial KPIs.

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 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.

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(iv) Executive pay (continued)

STI (continued)

Cash (continued)

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

Strategy	Drive organic revenue growth across the Group's existing businesses and identify appropriate strategic growth opportunities.
Financial management	Monitor the Group's balance sheet and cash flow capacity to meet the Group's strategic plan whilst optimising the cost of capital and funding flexibility.
Sales and marketing	Execute a digital sales and marketing strategy to deliver an increase in gross revenue across constant clubs or centres.
People and culture	Adopt a standardised approach to talent management, succession planning and leadership development across all divisions. Develop and implement a plan to increase the overall employee engagement score by 5% based upon the 2015 results.
Innovation	Develop a culture of innovation and collaboration across the Group and implement suitable supporting enterprise architecture. Develop and implement a strategic plan for the sharing of business intelligence between each of the operating divisions and the Head Office.
Health and safety	Drive the adoption of a Group-wide safety and return-to-work system and reporting framework to the standards of a self-insured entity.
Customer	Implement an appropriate program of research into social and consumer views of the Group's products and experiences to assist in identifying organic growth opportunities and improving customer experience and engagement. Measure and evidence an improvement of 15% in customer Net Promoter Scores based upon customer service and satisfaction in the prior financial year.

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.

Target awards to KMP under the STI range between 50% and 75% of an executive's base salary (including superannuation) dependent upon the executive's position.

Maximum achievable awards to KMP under the STI, taking into account the stretch STI component made available to the CEO – Main Event and CEO – Health clubs, range between 50% and 91% of an executive's base salary (including superannuation).

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 15% and 50% of an executive's base salary (including superannuation) dependent upon the executive's role. Further details of the LTIP are set out in section (e) below.

(v) 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 2016 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.

Directors' report to stapled security holders

11. Remuneration report (continued)

(a) Remuneration framework and strategy (continued)

(v) Alignment with investor interests (continued)

The LTIP further aligns executives' remuneration with long term investor returns through the total shareholder return performance hurdle. The LTIP is subject to the dual measures of total shareholder return and 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.

(b) Details of remuneration – key management personnel

Details of the remuneration of KMP of the Group for 2016 and 2015 are set out in the tables below. 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 (d) and (e) below.

		Short term benefits			Post-employment benefits		Other long term benefits			Total cash payment	Security-based payments	Security-based Total payment	Security-based % of total
		Salary	Cash bonus	Annual leave	Super-annuation	Retirement	Other	Termination	\$				
Independent Directors													
Neil Balnaves AO	2016	208,192	-	-	19,308	-	-	-	227,500	-	227,500	-	
Chair	2015	207,762	-	-	18,783	-	-	-	226,545	-	226,545	-	
Roger Davis	2016	141,553	-	-	13,447	-	-	-	155,000	-	155,000	-	
	2015	141,553	-	-	13,447	-	-	-	155,000	-	155,000	-	
David Haslingden ⁽¹⁾	2016	120,528	-	-	11,450	-	-	-	131,978	-	131,978	-	
	2015	-	-	-	-	-	-	-	-	-	-	-	
Don Morris AO	2016	123,288	-	-	11,712	-	-	-	135,000	-	135,000	-	
	2015	121,005	-	-	11,495	-	-	-	132,500	-	132,500	-	
George Venardos	2016	146,119	-	-	13,881	-	-	-	160,000	-	160,000	-	
	2015	142,838	-	-	13,570	-	-	-	156,408	-	156,408	-	
Melanie Willis ⁽²⁾	2016	122,738	-	-	11,660	-	-	-	134,398	-	134,398	-	
	2015	-	-	-	-	-	-	-	-	-	-	-	
Executive Director													
Deborah Thomas ⁽³⁾	2016	635,676	40,000	15,016	19,308	-	-	-	710,000	101,845	811,845	12.54%	
Chief Executive Officer	2015	244,002	-	-	13,173	-	-	-	257,175	-	257,175	-	

Directors' report to stapled security holders

11. Remuneration report (continued)

(b) 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				
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	% of total
Other key management personnel												
<i>Current</i>												
Craig Davidson	2016	327,811	109,185	27,881	19,308	-	-	-	484,185	125,998	610,183	20.65%
CEO – Theme parks	2015	309,837	74,720	21,379	18,783	-	-	-	424,719	64,024	488,743	13.10%
Richard Johnson	2016	472,147	167,800	24,849	19,308	-	-	-	684,104	246,589	930,693	26.50%
Chief Financial Officer	2015	414,937	190,018	7,414	18,783	-	-	-	631,152	248,250	879,402	28.23%
Charlie Keegan	2016	675,315	97,938	12,255	-	-	-	-	785,508	320,858	1,106,366	29.00%
CEO – Main Event	2015	454,967	148,986	27,658	-	-	-	-	631,611	251,404	883,015	28.47%
Nicole Noye	2016	367,515	115,530	13,177	19,308	-	-	-	515,530	87,285	602,815	14.48%
CEO – Bowling centres	2015	325,469	-	15,748	18,783	-	-	-	360,000	-	360,000	-
Greg Oliver ⁽⁴⁾	2016	459,830	70,921	89,311	19,308	-	-	-	639,370	154,171	793,541	19.43%
CEO – Health clubs	2015	425,944	136,945	15,273	18,783	-	-	-	596,945	187,110	784,055	23.86%
<i>Past</i>												
Greg Shaw ⁽⁵⁾	2016	15,023	400,000	-	4,827	-	-	855,644	1,275,494	212,502	1,487,996	14.28%
Ex Chief Executive Officer	2015	738,984	336,509	42,065	18,783	-	-	-	1,136,341	534,100	1,670,441	31.97%
Anne Keating ⁽⁶⁾	2016	-	-	-	-	-	-	-	-	-	-	-
Ex Independent Director	2015	43,916	-	-	4,172	-	-	-	48,088	-	48,088	-
	2016	3,815,735	1,001,374	182,489	182,825	-	-	855,644	6,038,067	1,249,248	7,287,315	17.1%
	2015	3,571,214	887,178	129,537	168,555	-	-	-	4,756,484	1,284,888	6,041,372	21.3%

(1) David Haslingden was appointed a Non-Executive Director of the Group effective 6 July 2015 and is considered KMP from this date.

(2) Melanie Willis was appointed a Non-Executive Director of the Group effective 17 July 2015 and is considered KMP from this date.

(3) Deborah Thomas was appointed a Non-Executive Director of the Group on 1 December 2013 and was appointed Chief Executive Officer effective 7 April 2015.

(4) During the year, Greg Oliver was paid \$78,449 in lieu of unused annual leave from previous years.

(5) Greg Shaw ceased to be considered KMP on 7 April 2015.

(6) Anne Keating resigned from the Group effective 29 October 2014.

The table above shows termination payments made to past KMP during the year. No termination benefits were paid to current 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 performance rights issued to all Australian KMP and US KMP post 1 July 2014, 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 performance rights issued to US KMP prior to 1 July 2014, this amount is based on the fair value of the equity instruments at the reporting date. If the fair value recorded in the Income Statement was based on the movement in the fair value of the instruments between reporting dates, the amount included in KMP compensation would be reduced by \$9,780 to \$1,239,468 (2015: increased by \$380,464 to \$1,665,352).

Directors' report to stapled security holders

11. Remuneration report (continued)

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

The table below sets out the total target remuneration and the total realised pay throughout the year ended 30 June 2016. It should be noted that elements of realised pay relate to both individual and the Group's performance in prior financial years.

Name	Annual base salary	STI ⁽¹⁾			Total realised pay	Total annual target remuneration	Variance
		Cash	Deferred equity	LTIP ⁽¹⁾			
Deborah Thomas	\$670,000	\$40,000	-	-	\$710,000	\$1,340,000	(\$630,000)
Richard Johnson ⁽²⁾	\$516,304	\$167,800	\$102,872	\$585,544	\$1,372,520	\$1,256,521	\$115,999
Nicole Noye	\$400,000	\$115,530	-	-	\$515,530	\$740,000	(\$224,470)
Greg Oliver	\$490,000	\$70,921	\$139,045	\$190,167	\$890,133	\$906,500	(\$16,367)
Charlie Keegan ⁽³⁾	US\$500,000	US\$131,600	US\$102,670	US\$95,905	US\$830,175	US\$1,000,000	(US\$169,825)
Craig Davidson	\$375,000	\$109,185	\$30,670	-	\$514,855	\$693,750	(\$178,895)

(1) STI cash payments and the vesting of DSTI and LTIP performance rights into fully paid stapled securities reflect previous performance of executives and of the Group over a period of time. Securities issued are valued at \$2.305 per security representing the five day VWAP up to and including the date of the full year results release.

(2) During the year, Richard Johnson was awarded a \$75,000 deferred increase of fixed remuneration payable on 1 July 2016.

(3) Total realised is converted from Australian dollars into US dollars at the exchange rate of 0.7167 on 28 August 2015 and includes both cash settled and equity settled awards.

The percentage of Cash STI (as listed in the table above) that was awarded to the Group's KMP and the percentage that was forfeited because the executive did not meet the performance criteria are set out below. No part of any Cash STI is payable in future years.

Name	STI Awarded	STI Forfeited
Deborah Thomas ⁽¹⁾	100.00%	-
Richard Johnson	65.00%	35.00%
Nicole Noye	91.69%	8.31%
Greg Oliver	44.05%	55.95%
Charlie Keegan ⁽²⁾	94.00%	6.00%
Craig Davidson	89.13%	10.87%

(1) Deborah Thomas' STI award reflects her service period from appointment as Group Chief Executive Officer effective 7 April 2015.

(2) Charlie Keegan was also awarded a Stretch STI payment of US\$42,000 due to over-achievement of financial KPIs. The delivery of the Stretch STI payment was made in the form of performance rights that vest in one and two years following grant.

Directors' report to stapled security holders

11. Remuneration report (continued)

(c) 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	Deborah Thomas	Richard Johnson	Nicole Noye	Greg Oliver	Charlie Keegan	Craig Davidson
Position	Chief Executive Officer	Chief Financial Officer	CEO – Bowling centres	CEO – Health clubs	CEO – Main Event	CEO – Theme parks
Term	No fixed term.	No fixed term.	No fixed term.	No fixed term.	No fixed term. Automatic renewal on a year by year basis.	No fixed term.
Base annual salary	\$670,000 for the year ended 30 June 2016.	\$591,304 for the year ended 30 June 2016 (Note 1).	\$400,000 for the year ended 30 June 2016.	\$490,000 for the year ended 30 June 2016.	US\$500,000 for the year ended 30 June 2016.	\$375,000 for the year ended 30 June 2016.
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 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 the executive gives the Group three months' notice in writing.	Employment shall continue with the Group unless the executive gives the Group six 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 12 months' 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.

(1) Effective 1 July 2015, Richard Johnson received an increase in fixed remuneration of \$75,000 with payment deferred until 1 July 2016.

All base annual 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)

(d) Deferred Short Term Incentive Plan (DSTI)

Plan name	DSTI
Who can participate?	All employees are eligible for participation at the discretion of the Board; however, Non-Executive Directors do not participate in the DSTI.
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 384,988 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 financial results announcement for the year ended 30 June 2011. A total of 286,776 performance rights vested on 20 August 2015 and a corresponding number of stapled securities were issued to Australian employees under the terms of the DSTI (2015: 716,574).

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)

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

US employees

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the DSTI were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested was 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 was made. Due to the nature of the scheme, this was considered to be a cash settled share-based payment under AASB 2.

All performance rights issued after 1 July 2014 to US employees are settled in equity upon vesting. As such, these performance rights are considered to be equity settled share-based payments under AASB 2. A total of 98,212 equity settled performance rights vested during the financial year (2015: 56,829). In the ALL financial statements, all performance rights issued to US employees are considered cash settled.

Fair value – US employees

The fair value of cash settled performance rights is determined at grant date and 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.

The fair value of equity settled performance rights is determined at each grant date using a binomial tree valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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 2016, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2016:

Grant	2014	2015
Grant date	19 August 2014	18 August 2015
Vesting date – year 1	20 August 2015	31 August 2016
Vesting date – year 2	31 August 2016	31 August 2017
Average risk free rate	2.50% per annum	1.90% per annum
Expected price volatility	27.0% per annum	34.5% per annum
Expected distribution yield	4.3% per annum	5.7% per annum
Stapled security price at grant date	\$3.00	\$2.18
Valuation per performance right on issue	\$2.81	\$2.00

The table below shows the fair value of the performance rights in each grant as at 30 June 2016 as well as the factors used to value the performance rights as at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2016:

Grant	2014	2015
Grant date	19 August 2014	18 August 2015
Vesting date – year 1	20 August 2015	31 August 2016
Vesting date – year 2	31 August 2016	31 August 2017
Average risk free rate	1.60% per annum	1.60% per annum
Expected price volatility	40.0% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	6.6% per annum
Stapled security price at year end	\$1.88	\$1.88
Valuation per performance right at year end	\$1.88	\$1.81

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)

(d) 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 2016	Opening balance	Granted as compensation	Exercised	Lapsed	Closing balance	Vested and exercisable	Unvested
<i>Current executives</i>							
Craig Davidson	26,613	54,682	(13,306)	-	67,989	-	67,989
Richard Johnson	61,550	42,019	(44,630)	-	58,939	-	58,939
Charlie Keegan	83,802	118,288	(62,149)	-	139,941	-	139,941
Nicole Noye	-	57,860	-	-	57,860	-	57,860
Greg Oliver	84,710	35,519	(60,323)	-	59,906	-	59,906
Deborah Thomas	-	20,033	-	-	20,033	-	20,033
Total performance rights	256,675	328,401	(180,408)	-	404,668	-	404,668

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Directors' report to stapled security holders

11. Remuneration report (continued)

(e) Long Term Incentive Plan (LTIP)

Plan name	LTIP
Who can participate?	All employees are eligible for participation at the discretion of the Board; however, Non-Executive Directors do not participate in the LTIP.
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 and 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 two, three and four years following the grant date, subject to meeting the total shareholder return (TSR) and internal compound EPS performance hurdles. The weighting between the two hurdles will be split as follows: <ul style="list-style-type: none"> • TSR – 50%; and • EPS – 50%.
What are the vesting conditions?	For grants made after 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: <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 with maximum vesting achieved at the 75th percentile; 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 with maximum vesting achieved at 10% compound EPS growth.
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 S&P/ASX Small Industrials Index.
Did any of the securities vest?	During the financial year, a total of 993,905 performance rights vested into fully paid stapled securities 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)

(e) 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 S&P/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 2011, 2012 and 2013 with the following results:

Tranche	TSR	Percentile	Vesting percentage
T3-2011	119.09%	81.82	100.0%
T2-2012	103.94%	79.12	100.0%
T1-2013	45.48%	68.63	87.3%

A total of 939,923 performance rights vested on 20 August 2015 and a corresponding number of stapled securities were issued to Australian employees under the terms of the LTIP (2015: 1,145,426).

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 cash settled share-based payments.

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 previous restrictions on the issue of securities to US residents, those US executives eligible for the DSTI were subject to a shadow performance rights scheme whereby a cash payment was 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 38,998 cash settled performance rights vested on 20 August 2015 to US employees under the terms of the LTIP (2015: 57,452).

All performance rights issued after 1 July 2014 to US employees are settled in equity upon vesting. These performance rights are considered to be equity settled share-based payments under AASB 2. A total of 14,984 equity settled performance rights vested on 20 August 2015 to US employees under the terms of the LTIP (2015: nil).

Fair value – US employees

The fair value of cash settled performance rights is determined at grant date and 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.

The fair value of equity settled performance rights is determined at grant date using a Monte Carlo simulation valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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)

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

Valuation inputs

For performance rights outstanding at 30 June 2016, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2016:

Grant	2012	2013	2014	2015
Grant date	24 August 2012	23 August 2013	19 August 2014	15 December 2015
Vesting date – year 2	19 August 2014	20 August 2015	31 August 2016	31 August 2017
Vesting date – year 3	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 4	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Average risk free rate	2.73% per annum	2.60% per annum	2.57% per annum	2.1% per annum
Expected price volatility	35% per annum	32% per annum	27.0% per annum	38.3% per annum
Expected distribution yield	9.1% per annum	6.6% per annum	4.3% per annum	5.8% per annum
Stapled security price at grant date	\$1.29	\$1.82	\$3.00	\$2.17
Valuation per performance right on issue	\$0.61	\$0.76	\$1.54	\$1.12

The table below shows the fair value of the performance rights for each grant as at 30 June 2016 as well as the factors used to value the performance rights at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2016:

Grant	2012	2013	2014	2015
Grant date	24 August 2012	23 August 2013	19 August 2014	15 December 2015
Vesting date – year 2	19 August 2014	20 August 2015	31 August 2016	31 August 2017
Vesting date – year 3	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 4	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Average risk free rate	1.60% per annum	1.60% per annum	1.60% per annum	1.60% per annum
Expected price volatility	40.0% per annum	40.0% per annum	40.0% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	6.6% per annum	6.6% per annum	6.6% per annum
Stapled security price at year end	\$1.88	\$1.88	\$1.88	\$1.88
Valuation per performance right on issue	\$1.21	\$1.04	\$0.28	\$0.85

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)

(e) 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	

The weighting is split equally between the two performance measures.

Performance rights

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

30 June 2016	Opening balance	Granted as compensation	Exercised	Lapsed	Closing balance	Vested and exercisable	Unvested
<i>Current executives</i>							
Craig Davidson	34,104	50,223	-	-	84,327	-	84,327
Richard Johnson	577,452	197,982	(254,032)	(8,355)	513,047	-	513,047
Charlie Keegan	135,370	186,167	(14,984)	(2,179)	304,374	-	304,374
Nicole Noye	-	53,571	-	-	53,571	-	53,571
Greg Oliver	204,344	65,625	(82,502)	(2,924)	184,543	-	184,543
Deborah Thomas	-	299,107	-	-	299,107	-	299,107
Equity settled	951,270	852,675	(351,518)	(13,458)	1,438,969	-	1,438,969
<i>Current executive</i>							
Charlie Keegan	56,037	-	(38,998)	-	17,039	-	17,039
Cash settled	56,037	-	(38,998)	-	17,039	-	17,039
Total performance rights	1,007,307	852,675	(390,516)	(13,458)	1,456,008	-	1,456,008

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) Additional information

Performance of the Group

Over the past five years, core earnings per security of the Group have increased by 10.05% and the market capitalisation of the Group has increased by 114.60%. The table below compares the Group's core earnings per security with total KMP remuneration over the past five years.

	2016	2015	2014	2013	2012
Security price as at 30 June	\$1.880	\$2.170	\$2.710	\$1.715	\$1.275
First half year distribution per security	\$0.070	\$0.070	\$0.068	\$0.066	\$0.065
Distribution reinvestment price	\$2.1067	\$2.6389	N/A	N/A	\$1.0073
Second half year distribution per security	\$0.055	\$0.055	\$0.062	\$0.054	\$0.052
Distribution reinvestment price	\$1.9292	\$2.1553	\$2.6378	\$1.6841	\$1.2373
Number of securities on issue as at 30 June	463,039,616	442,322,106	405,055,708	397,803,987	334,209,401
Market capitalisation as at 30 June (\$ million)	\$870.5	\$959.8	\$1,097.7	\$682.2	\$426.1
Core earnings per security (cents)	13.80	12.92	14.40	13.14	12.91
Total KMP remuneration	\$7,287,315	\$6,041,372	\$5,512,165	\$5,102,854	\$6,052,116
Investor value of a \$5,000 investment as at 30 June 2011 (based upon an initial security price of \$1.275)	\$9,655	\$10,490	\$12,752	\$7,984	\$5,545

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 2015 financial year. These bonuses were paid during the current 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 2016 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 automatically 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.

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) 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:

	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		
<i>Current executives</i>														
<i>Equity settled</i>														
Craig Davidson	LTI	2014	T1	2017	11,368	19,789	-	-	-	19,789	89.13	10.87		
			T2	2018	11,368	17,740	-	-	-	17,740				
			T3	2019	11,368	14,973	-	-	-	14,973				
		2015	T1	2018	16,741	20,904	-	-	-	20,904				
			T2	2019	16,741	18,738	-	-	-	18,738				
			T3	2020	16,741	16,776	-	-	-	16,776				
		DSTI	2014	T1	2016	13,306	38,171	-	-	13,306	33,531	-		
				T2	2017	13,307	36,550	-	-	-	-	36,550		
		2015	T1	2017	27,341	56,158	-	-	-	-	56,158			
	T2		2018	27,341	53,028	-	-	-	-	53,028				
Total					165,622	292,827	-	-	13,306	33,531	254,656			
Richard Johnson	LTI	2011	T3	2016	114,522	49,244	-	-	114,522	288,595	65.00	35.00		
			T2	2016	82,075	50,181	-	-	82,075	206,829				
			T3	2017	82,075	49,491	-	-	-	49,491				
		2013	T1	2016	65,790	51,678	8,355	21,055	57,435	144,736	-			
			T2	2017	65,789	51,388	-	-	-	-	51,388			
			T3	2018	65,789	47,579	-	-	-	-	47,579			
		2014	T1	2017	33,804	58,846	-	-	-	-	58,846			
			T2	2018	33,804	52,751	-	-	-	-	52,751			
			T3	2019	33,804	44,523	-	-	-	-	44,523			
		2015	T1	2018	65,994	82,407	-	-	-	-	82,407			
			T2	2019	65,994	73,867	-	-	-	-	73,867			
			T3	2020	65,994	66,133	-	-	-	-	66,133			
		DSTI	2013	T2	2016	27,711	44,498	-	-	27,711	69,832	-		
	T1			2016	16,919	48,536	-	-	16,919	42,636	-			
2014	T2		2017	16,920	46,474	-	-	-	-	46,474				
	T1		2017	21,009	43,152	-	-	-	-	43,152				
T2	2018		21,010	40,749	-	-	-	-	40,749					
Total					879,003	901,497	8,355	21,055	298,662	752,628	657,360			
Nicole Noye	LTI	2015	T1	2018	17,857	22,298	-	-	-	22,298	91.69	8.31		
			T2	2019	17,857	19,987	-	-	-	19,987				
			T3	2020	17,857	17,894	-	-	-	17,894				
	DSTI	2015	T1	2017	28,930	59,422	-	-	-	59,422				
			T2	2018	28,930	56,110	-	-	-	56,110				
Total					111,431	175,711	-	-	-	175,711				

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) 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 Oliver	LTI	2011	T3	2016	34,357	14,774	-	-	34,357	86,580	-	44.05	55.95
			T2	2016	28,042	17,145	-	-	28,042	70,666	-		
			T3	2017	28,043	16,910	-	-	-	-	16,910		
	2013	T1	2016	23,027	18,088	2,924	7,368	20,103	50,660	-			
		T2	2017	23,026	17,986	-	-	-	-	17,986			
		T3	2018	23,026	16,652	-	-	-	-	16,652			
	2014	T1	2017	14,941	26,009	-	-	-	-	26,009			
		T2	2018	14,941	23,315	-	-	-	-	23,315			
		T3	2019	14,941	19,679	-	-	-	-	19,679			
	2015	T1	2018	21,875	27,315	-	-	-	-	27,315			
		T2	2019	21,875	24,485	-	-	-	-	24,485			
		T3	2020	21,875	21,921	-	-	-	-	21,921			
	DSTI	2013	T2	2016	35,936	57,706	-	-	35,936	90,559	-		
			T1	2016	24,387	69,959	-	-	24,387	61,455	-		
		2015	T2	2017	24,387	66,984	-	-	-	-	66,984		
T1			2017	17,759	36,477	-	-	-	-	36,477			
	T2	2018	17,760	34,446	-	-	-	-	34,446				
Total					390,198	509,851	2,924	7,368	142,825	359,920	332,179		
Deborah Thomas	LTI	2015	T1	2018	99,702	124,498	-	-	-	124,498	100.00	-	
			T2	2019	99,702	111,596	-	-	-	111,596			
			T3	2020	99,703	99,912	-	-	-	99,912			
	DSTI	2015	T1	2017	10,016	20,573	-	-	-	20,573			
			T2	2018	10,017	19,428	-	-	-	19,428			
Total					319,140	376,007	-	-	-	376,007			
Charlie Keegan	LTI	2013	T1	2016	17,163	13,482	2,179	5,491	14,984	37,760	-	94.00	6.00
			T2	2017	17,162	13,405	-	-	-	-	13,405		
			T3	2018	17,162	12,412	-	-	-	-	12,412		
		2014	T1	2017	27,961	48,675	-	-	-	-	48,675		
			T2	2018	27,961	43,633	-	-	-	-	43,633		
			T3	2019	27,961	36,827	-	-	-	-	36,827		
	2015	T1	2018	62,055	77,488	-	-	-	-	77,488			
		T2	2019	62,056	69,459	-	-	-	-	69,459			
		T3	2020	62,056	62,186	-	-	-	-	62,186			
	DSTI	2013	T2	2016	36,496	58,605	-	-	36,496	91,970	-		
			T1	2016	25,653	73,591	-	-	25,653	64,646	-		
		2014	T2	2017	21,653	59,474	-	-	-	-	59,474		
T1			2017	59,144	121,482	-	-	-	-	121,482			
2015		T1	2017	59,144	114,710	-	-	-	-	114,710			
		T2	2018	59,144	114,710	-	-	-	-	114,710			
<i>Cash settled</i>													
Charlie Keegan	LTI	2011	T3	2016	21,960	9,443	-	-	21,960	55,339	-		
			T2	2016	17,038	10,417	-	-	17,038	42,936	-		
			T3	2017	17,039	10,275	-	-	-	-	10,275		
Total					579,664	835,564	2,179	5,491	116,131	292,651	670,026		

Directors' report to stapled security holders

11. Remuneration report (continued)

(f) 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	2,801,510	200,000	-	-	3,001,510
Roger Davis	200,658	-	-	-	200,658
David Haslingden	-	160,000	-	-	160,000
Don Morris AO	13,950	-	-	-	13,950
Deborah Thomas	20,331	11,027	-	-	31,358
George Venardos	198,053	11,804	-	-	209,857
Melanie Willis	-	9,674	-	-	9,674
	3,234,502	392,505	-	-	3,627,007

Other 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
Craig Davidson	-	-	13,306	-	13,306
Richard Johnson	100,000	-	298,662	(298,662)	100,000
Charlie Keegan	36,497	-	77,133	(80,000)	33,630
Nicole Noye	2,500	-	-	-	2,500
Greg Oliver	478,522	-	142,825	(21,000)	600,347
	617,519	-	531,926	(399,662)	749,783

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.

The following table shows the votes that were cast on the adoption of the 2015 remuneration report at the AGM held on 5 November 2015:

Date of meeting	Votes for	Votes against	Votes abstain
5 November 2015	98.50%	1.12%	0.38%
30 October 2014	97.53%	1.78%	0.69%

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 undermines the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*.

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 38.

14. Events occurring after reporting date

Subsequent to 30 June 2016, a distribution of 5.5 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$25.5 million will be paid on or before 31 August 2016 in respect of the half year ended 30 June 2016.

As noted above, on 19 August 2016, the Group announced that it had entered into a sale agreement to dispose of its entire interests in the health clubs division for gross proceeds (excluding working capital adjustments and selling costs) of \$260.0 million, comprising a cash payment of \$230.0 million and deferred consideration of \$30.0 million in the form of vendor loan notes payable no later than two years from completion. Completion is subject to landlord and other third party approvals and is expected to occur prior to 31 December 2016. The financial information relating to the health clubs division is set out in Note 37 to the financial statements. The Group expects to recognise a profit on disposal.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matters or circumstances not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2016.

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 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.

As noted above, the Group is in the process of disposing of its Marinas and Health clubs divisions, with completion expected during the next financial year. 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.

Directors' report to stapled security holders

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.

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 2016 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

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 and train-shed and the 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 to operate throughout the theme park with proceeds used 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 nine 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.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(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.

(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.

Directors' report to stapled security holders

18. Environmental regulations (continued)

(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.

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 2014/2015 emissions report under the Act in October 2015.

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

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



Neil Balnaves AO
Chairman



Deborah Thomas
Managing Director

Sydney
23 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Ardent Leisure Group for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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 it controlled during the period.



Timothy J Allman
Partner
PricewaterhouseCoopers

Brisbane
23 August 2016

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Income Statements for the year ended 30 June 2016

	Note	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Income					
Revenue from operating activities	3	664,614	571,651	664,614	571,651
Management fee income	7(b)	-	-	1,200	1,200
Valuation gains - investment properties		2,050	-	-	-
Net gain from derivative financial instruments	6	-	552	-	-
Interest income		81	121	68	77
Business acquisition costs refunded		198	-	198	-
Gain on sale and leaseback of family entertainment centres		1,672	6,959	1,672	6,959
Total income		668,615	579,283	667,752	579,887
Expenses					
Purchases of finished goods		65,675	55,126	65,675	55,126
Salary and employee benefits		250,571	221,361	250,745	222,196
Borrowing costs	4	14,874	11,333	13,337	11,731
Property expenses	5	104,289	96,388	154,033	138,182
Depreciation and amortisation		63,955	53,949	40,752	31,700
Loss on closure of bowling centres		-	104	-	-
Loss on disposal of assets		500	523	126	376
Advertising and promotions		24,057	20,305	24,057	20,305
Repairs and maintenance		32,164	25,542	32,164	25,542
Pre-opening expenses		8,638	6,521	8,455	6,521
Business acquisition costs		64	1,938	64	1,938
Impairment of property, plant and equipment		463	2,646	158	1,009
Impairment of goodwill		-	141	-	141
Net loss from derivative financial instruments	6	170	-	-	-
Valuation loss - investment properties		-	513	-	-
Other expenses	8	60,421	53,029	59,771	52,133
Total expenses		625,841	549,419	649,337	566,900
Profit before tax expense		42,774	29,864	18,415	12,987
Income tax expense	10	8,421	6,634	8,399	6,843
Profit from continuing operations		34,353	23,230	10,016	6,144
Profit from discontinued operation	16	8,034	8,892	625	718
Profit for the year		42,387	32,122	10,641	6,862
Attributable to:					
Stapled security holders		42,387	32,122	10,641	6,862
Profit for the year		42,387	32,122	10,641	6,862

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

Basic earnings per security/share (cents)	11	9.37	7.38	2.35	1.58
Basic earnings per security/share (cents) from continuing operations	11	7.59	5.34	2.21	1.42
Diluted earnings per security/share (cents)	11	9.35	7.35	2.35	1.57
Diluted earnings per security/share (cents) from continuing operations	11	7.58	5.32	2.21	1.41

Statements of Comprehensive Income for the year ended 30 June 2016

	Note	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Profit for the year		42,387	32,122	10,641	6,862
<i>Other comprehensive income for the year</i>					
<i>Items that may be reclassified to profit and loss</i>					
Cash flow hedges	30	(1,878)	(958)	(1,321)	(75)
Foreign exchange translation difference	30	2,049	3,623	2,277	6,916
Income tax relating to these items	30	441	24	441	24
<i>Items that will not be reclassified to profit and loss</i>					
Gain on revaluation of property, plant and equipment	30	10,534	7,541	-	-
Other comprehensive income for the year, net of tax		11,146	10,230	1,397	6,865
Total comprehensive income for the year, net of tax		53,533	42,352	12,038	13,727
<i>Attributable to:</i>					
Stapled security holders		53,533	42,352	12,038	13,727
Total comprehensive income for the year, net of tax		53,533	42,352	12,038	13,727
<i>Total comprehensive income for the year attributable to stapled security holders arises from:</i>					
Continuing operations		45,499	33,460	11,413	13,009
Discontinued operations		8,034	8,892	625	718
Total comprehensive income for the year, net of tax		53,533	42,352	12,038	13,727

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

Balance Sheets as at 30 June 2016

	Note	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current assets					
Cash and cash equivalents	33	9,070	4,986	8,391	4,685
Receivables	13	13,286	10,856	13,286	13,210
Derivative financial instruments	14	131	263	-	-
Inventories	15	13,002	11,372	13,002	11,372
Current tax receivables		3,275	1,740	3,275	1,740
Assets classified as held for sale	16(c)	112,940	-	2,782	-
Construction in progress inventories	17	61,796	-	61,796	-
Other	18	7,913	10,736	7,384	7,026
Total current assets		221,413	39,953	109,916	38,033
Non-current assets					
Investment properties	19	-	99,326	-	-
Property, plant and equipment	20	683,759	609,682	287,061	213,600
Derivative financial instruments	14	113	114	-	-
Livestock		221	245	221	245
Intangible assets	21	246,129	242,944	246,129	242,944
Deferred tax assets	22	5,997	4,243	5,997	4,243
Total non-current assets		936,219	956,554	539,408	461,032
Total assets		1,157,632	996,507	649,324	499,065
Current liabilities					
Payables	23	106,407	91,323	93,699	76,287
Construction in progress deposits	17	55,494	-	55,494	-
Derivative financial instruments	14	1,202	98	132	-
Current tax liabilities		63	1,291	63	1,291
Provisions	25	4,029	3,236	4,029	3,236
Liabilities directly associated with assets classified as held for sale	16(c)	4,104	-	3,716	-
Other	26	1,985	2,694	1,985	2,694
Total current liabilities		173,284	98,642	159,118	83,508
Non-current liabilities					
Derivative financial instruments	14	2,937	2,133	1,283	129
Interest bearing liabilities	24	312,903	278,618	276,088	237,006
Provisions	25	14,987	15,769	4,414	5,552
Deferred tax liabilities	27	33,538	21,863	33,538	21,863
Total non-current liabilities		364,365	318,383	315,323	264,550
Total liabilities		537,649	417,025	474,441	348,058
Net assets		619,983	579,482	174,883	151,007
Equity					
Contributed equity	28	649,720	605,181	167,100	155,262
Reserves	30	(24,938)	(30,691)	9,035	7,638
(Accumulated losses)/retained profits	31	(4,799)	4,992	(1,252)	(11,893)
Total equity attributable to stapled security holders		619,983	579,482	174,883	151,007
Total equity		619,983	579,482	174,883	151,007

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

Statements of Changes in Equity for the year ended 30 June 2016

	Note	Contributed equity \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Non-controlling interests \$'000	Total equity \$'000
Consolidated Group						
Total equity at 1 July 2014		513,912	(45,918)	37,508	-	505,502
Profit for the year		-	-	32,122	-	32,122
Other comprehensive income for the year		-	10,230	-	-	10,230
Total comprehensive income for the year		-	10,230	32,122	-	42,352
<i>Transactions with owners in their capacity as owners:</i>						
Security-based payments	30	-	(3,821)	-	-	(3,821)
Contributions of equity, net of issue costs	28	85,786	-	-	-	85,786
Security-based payments - securities/shares issued	28	5,483	-	-	-	5,483
Distributions paid and payable	31	-	-	(55,820)	-	(55,820)
Reserve transfers	30, 31	-	8,818	(8,818)	-	-
Total equity at 30 June 2015		605,181	(30,691)	4,992	-	579,482
Profit for the year		-	-	42,387	-	42,387
Other comprehensive income for the year		-	11,146	-	-	11,146
Total comprehensive income for the year		-	11,146	42,387	-	53,533
<i>Transactions with owners in their capacity as owners:</i>						
Security-based payments	30	-	(1,866)	-	-	(1,866)
Contributions of equity, net of issue costs	28	41,162	-	-	-	41,162
Security-based payments - securities/shares issued	28	3,377	-	-	-	3,377
Distributions paid and payable	31	-	-	(55,705)	-	(55,705)
Reserve transfers	30, 31	-	(3,527)	3,527	-	-
Total equity at 30 June 2016		649,720	(24,938)	(4,799)	-	619,983
All Group						
Total equity at 1 July 2014		16,309	(1,537)	(1,655)	71,359	84,476
Profit for the year		-	-	6,862	-	6,862
Other comprehensive income for the year		-	6,865	-	-	6,865
Total comprehensive income for the year		-	6,865	6,862	-	13,727
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of issue costs	28	15,189	-	-	-	15,189
Security-based payments - shares issued	28	937	-	-	-	937
Capital reallocation	28	122,827	-	-	-	122,827
Reserve transfers	30, 31	-	2,310	(2,310)	-	-
Repayment of non-controlling interests		-	-	-	(71,359)	(71,359)
Dividends paid and payable	31	-	-	(14,790)	-	(14,790)
Total equity at 30 June 2015		155,262	7,638	(11,893)	-	151,007
Profit for the year		-	-	10,641	-	10,641
Other comprehensive income for the year		-	1,397	-	-	1,397
Total comprehensive income for the year		-	1,397	10,641	-	12,038
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of issue costs	28	10,958	-	-	-	10,958
Security-based payments - shares issued	28	880	-	-	-	880
Total equity at 30 June 2016		167,100	9,035	(1,252)	-	174,883

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 2016

	Note	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Cash flows from operating activities					
Receipts from customers		752,923	650,383	755,995	651,136
Payments to suppliers and employees		(503,891)	(436,132)	(495,286)	(433,864)
Property expenses paid		(109,140)	(96,189)	(105,169)	(92,330)
Payments for construction in progress inventories		(70,832)	-	(70,832)	-
Interest received		81	121	68	77
Rent payments to the Trust		-	-	(122,453)	(115,766)
Deposits received for construction in progress		68,116	-	68,116	-
Receipts of funds for property costs from the Trust		-	-	62,224	58,922
US withholding tax received/(paid)		206	(140)	-	-
Income tax paid		(2,042)	(2,691)	(2,039)	(2,691)
Net cash flows from operating activities	34(a)	135,421	115,352	90,624	65,484
Cash flows from investing activities					
Payments for property, plant and equipment and other intangibles		(154,444)	(133,965)	(132,132)	(115,862)
Purchase of assets for the Trust		-	-	(20,210)	(19,108)
Receipt of funds for assets purchased on behalf of the Trust		-	-	20,803	18,387
Proceeds from sale of plant and equipment		186	628	186	270
Proceeds from sale of land and buildings		23,849	41,719	23,849	41,719
Payments for purchase of businesses, net of cash acquired		(3,789)	(33,322)	(1,488)	(31,195)
Net cash flows from investing activities		(134,198)	(124,940)	(108,992)	(105,789)
Cash flows from financing activities					
Proceeds from borrowings		2,572,503	2,084,223	1,334,380	984,102
Repayments of borrowings		(2,539,083)	(2,095,274)	(1,296,954)	(978,076)
Borrowing costs		(15,960)	(10,937)	(14,077)	(11,797)
Proceeds from issue of stapled securities		-	70,000	-	11,698
Costs of issue of stapled securities		(78)	(993)	(21)	(167)
Dividends paid to the Trust		-	-	-	(1,630)
Proceeds from loans from the Trust		-	-	82,598	125,104
Repayments of borrowings to the Trust		-	-	(83,800)	(76,839)
Repayments of principal on finance leases		-	(61)	-	(61)
Distributions paid to stapled security holders		(14,465)	(39,041)	-	(13,160)
Net cash flows from financing activities		2,917	7,917	22,126	39,174
Net increase/(decrease) in cash and cash equivalents		4,140	(1,671)	3,758	(1,131)
Cash and cash equivalents at the beginning of the year		4,986	7,079	4,685	6,197
Effect of exchange rate changes on cash and cash equivalents		(54)	(422)	(50)	(381)
Cash at the end of the year	33	9,072	4,986	8,393	4,685

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 2016

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 2016 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of preparation

As permitted by Corporations (Stapled Group Reports) Instrument 2015/838, issued by the Australian Securities and Investments Commission (ASIC), 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 (AASB), 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. These Class Orders allow the presentation of consolidated financial statements covering all the entities in a stapled group. There are no non-controlling interests that are attributable to the stapled security holders.

Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that the 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 new and amended standards for first time for the annual reporting period commencing 1 July 2015:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*; and
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*.

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

Notes to the Financial Statements for the year ended 30 June 2016

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 Notes 1(f), 1(g), 1(m), 1(p), 1(s)(v), 1(s)(vi), 1(ab), 1(ac) and 1(ag) 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

In the prior year, the Group had a deficiency of current assets of \$58.7 million and, as at 30 June 2016, the ALL Group had a deficiency of current assets of \$48.4 million (2015: \$45.5 million). Due to the nature of the business, the majority of sales are for cash whereas purchases are on credit resulting in a negative working capital position. Surplus cash is used to repay external loans, resulting in deficiencies of current assets. The Group has \$262.1 million (2015: \$128.6 million) of unused loan capacity at 30 June 2016 which can be drawn on as required. The ALL Group has \$300.0 million (2015: \$171.0 million) of unused capacity in its bank loans and its loans with the Trust which can be utilised to fund any deficiency in its net current assets. 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.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations 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 is reclassified to profit or loss where appropriate.

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016

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;
- DCF 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;
- DCF 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 2016

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:

	2016	2015
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	3 - 13 years	3 - 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) Construction in progress inventories

During the year, the Group entered into agreements with a third party to construct family entertainment centres for resale. Refer to Note 17.

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

Notes to the Financial Statements

for the year ended 30 June 2016

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 to 50 years (2015: 5 to 50 years).

(l) Intangible assets

Customer relationships

Customer relationships acquired are amortised over the period during which the benefits are expected to be received, which is four years (2015: four years). The amortisation charge is weighted towards the first year of ownership where the majority of economic benefits arise.

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 and 13 years (2015: 10 and 13 years).

Other intangible assets

Liquor licences are amortised over the length of the licences which are between 10 and 16 years (2015: 10 and 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 and 8 years (2015: 5 and 8 years).

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 to 60 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

for the year ended 30 June 2016

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 end of 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.

Notes to the Financial Statements

for the year ended 30 June 2016

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 3.60% per annum (2015: 4.16% per annum) for Australian dollar debt and 1.61% per annum (2015: 1.54% 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.

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 2016

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 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 period takes into account the most recent estimate.

US employees

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the LTIP were subject to a shadow performance rights scheme whereby a cash payment was 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. Following steps taken to issue equity to US resident employees, all new performance rights issued after 1 July 2014 will be settled in equity upon vesting in future periods. As such, these performance rights are considered to be equity settled share-based payments under AASB 2.

The fair value of cash settled performance rights is determined at grant date and 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 in the Income Statement.

The fair value of equity settled performance rights is determined at grant date using a Monte Carlo simulation valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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. The first set of performance rights were granted under the DSTI 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 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.

Notes to the Financial Statements

for the year ended 30 June 2016

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 each grant of performance rights is determined at grant date 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

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the DSTI were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of the vesting period, the number of performance rights which would have vested is multiplied by the Group 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. All new performance rights issued after 1 July 2014 will be settled in equity upon vesting in future periods. As such, the performance rights are considered to be equity settled share-based payments under AASB 2. In the ALL financial statements, all performance rights issued to US employees are considered to be cash settled.

The fair value of each grant of cash settled performance rights is determined at grant date and 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 recognised in the Income Statement.

The fair value of each grant of equity settled performance rights is determined at grant date using a binomial tree valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016

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 2016, the spot rate used was A\$1.00 = NZ\$1.0489 (2015: A\$1.00 = NZ\$1.1294) and A\$1.00 = US\$0.7426 (2015: A\$1.00 = US\$0.7680). The average spot rate during the year ended 30 June 2016 was A\$1.00 = NZ\$1.0874 (2015: A\$1.00 = NZ\$1.0801) and A\$1.00 = US\$0.7272 (2015: A\$1.00 = US\$0.8288).

(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 fixed rent increases, IFRS depreciation, onerous lease costs, amortisation of intangible assets and impairment of property, plant and equipment and 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 2016

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 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 2016

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, previously issued convertible notes to the Trust. Due to the terms associated with these notes, the notes were classified as equity in the financial statements of the ALL Group. Given that this equity was not payable to the shareholders of ALL, the notes were included in equity attributable to non-controlling interests. The convertible notes have been repaid as a result of the capital reallocation between the Trust and the Company during the prior year. Refer to Note 28 for more information.

(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 2016

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) **Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) 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 (or disposal group), 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 non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

(ah) **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 2016 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 and the ALL Group's accounting for its financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that there should be no material impact on the Group's or the ALL Group's financial statements. The Group and the ALL Group do not intend to adopt AASB 9 before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2019.

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

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

Notes to the Financial Statements for the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(ah) New accounting standards, amendments and interpretations (continued)

AASB 16 Leases (effective from 1 January 2019)

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

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(ai) Rounding

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

2. 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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Revenue from services	495,415	426,587	495,415	426,587
Revenue from sale of goods	153,795	126,797	153,795	126,797
Revenue from rentals	15,395	17,872	15,395	17,872
Other revenue	9	395	9	395
Revenue from operating activities	664,614	571,651	664,614	571,651

4. Borrowing costs

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Borrowing costs paid or payable	15,032	11,580	13,525	12,049
Less: capitalised borrowing costs	(446)	(573)	(223)	(357)
Provisions: unwinding of discount	288	326	35	39
Borrowing costs expensed	14,874	11,333	13,337	11,731

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

Notes to the Financial Statements

for the year ended 30 June 2016

5. Property expenses

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Landlord rent and outgoings	102,952	88,544	154,033	138,182
Insurance	549	589	-	-
Rates	2,127	3,456	-	-
Land tax	819	485	-	-
(Decrease)/increase in onerous lease provisions	(2,193)	2,598	-	-
Other	35	716	-	-
	104,289	96,388	154,033	138,182

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

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Unrealised net (loss)/gain on derivative financial instruments	(170)	552	-	-
	(170)	552	-	-

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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Base management fee	-	-	1,200	1,200
	-	-	1,200	1,200

Notes to the Financial Statements for the year ended 30 June 2016

8. Other expenses

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Audit fees	797	653	562	437
Consulting fees	2,639	1,776	2,528	1,776
Consumables	3,397	3,075	3,397	3,075
Custodian fees	100	101	-	-
Electricity	17,264	15,434	17,264	15,434
Fuel and oil	1,032	1,187	1,032	1,187
Insurance	3,627	3,422	3,627	3,422
Legal fees	654	725	654	724
Merchant fees	11,975	10,214	11,975	10,214
Motor vehicles	1,079	1,007	1,079	1,007
Permits and fees	4,587	4,844	4,566	4,822
Printing, stationery and postage	3,132	2,727	3,132	2,727
Registry fees	181	184	181	184
Stapled security holder communication costs	318	171	318	171
Stock exchange costs	84	165	84	165
Taxation fees	444	239	411	212
Telephone	3,062	2,147	3,062	2,147
Training	1,775	1,407	1,775	1,407
Travel costs	3,177	2,677	3,177	2,677
Valuation fees	113	43	-	-
Other	984	831	947	345
	60,421	53,029	59,771	52,133

9. Remuneration of auditor

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

	Consolidated Group 2016 \$	Consolidated Group 2015 \$	ALL Group 2016 \$	ALL Group 2015 \$
Audit and other assurance services - PwC Australia	615,978	533,268	381,020	316,339
Audit and other assurance services - related practices of PwC Australia	180,812	120,198	180,812	120,198
Taxation services - PwC Australia	28,278	27,105	-	-
Taxation services - related practices of PwC Australia	415,641	212,088	411,031	212,088
Other services - PwC Australia	1,550	1,530	1,550	1,530
	1,242,259	894,189	974,413	650,155

Notes to the Financial Statements

for the year ended 30 June 2016

10. Income tax expense

(a) Income tax expense

	Note	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current tax		(1,256)	(1,613)	(1,283)	(1,444)
Deferred tax		10,258	8,354	10,258	8,354
Over provided in prior year		(581)	(107)	(576)	(67)
		8,421	6,634	8,399	6,843
Income tax expense is attributable to:					
Profit from continuing operations		8,421	6,634	8,399	6,843
Deferred income tax expense included in income tax expense comprises:					
Increase in deferred tax assets	22	(878)	(6,732)	(878)	(6,732)
Increase in deferred tax liabilities	27	11,136	15,086	11,136	15,086
		10,258	8,354	10,258	8,354

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

Profit from continuing operations before income tax expense		42,774	29,864	18,415	12,987
Less: Profit from the trusts ⁽¹⁾		(37,131)	(27,104)	-	-
Prima facie profit		5,643	2,760	18,415	12,987
Tax at the Australian tax rate of 30% (2015: 30%)		1,693	828	5,525	3,896
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:					
Entertainment		104	92	104	92
Non-deductible depreciation and amortisation		3,909	3,331	-	-
Sundry items		353	(118)	405	132
Employee security plans		264	281	264	281
Business acquisition costs		(40)	581	(40)	581
Foreign exchange conversion differences		24	42	24	42
US State taxes		1,533	1,115	1,533	1,115
Withholding tax		3	(182)	-	-
Research and Development and other credits		(515)	(275)	(515)	(275)
Difference in overseas tax rates		1,674	1,046	1,675	1,046
Over provided in prior year		(581)	(107)	(576)	(67)
Income tax expense		8,421	6,634	8,399	6,843

⁽¹⁾ Profits relating to the trusts are largely distributed to unit holders via distributions and are subject to tax upon receipt of this distribution income by the unit holders.

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

Unrealised loss on derivative financial instruments recognised in the cash flow hedge reserve	22, 30	(441)	(24)	(441)	(24)
		(441)	(24)	(441)	(24)

Notes to the Financial Statements for the year ended 30 June 2016

10. Income tax expense (continued)

(d) Unrecognised temporary differences

There are no unrecognised temporary differences as at 30 June 2016 (2015: 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 2016	Consolidated Group 2015	ALL Group 2016	ALL Group 2015
Basic earnings per security/share (cents) from continuing operations	7.59	5.34	2.21	1.42
Basic earnings per security/share (cents) from discontinued operation	1.78	2.04	0.14	0.16
Total basic earnings per security/share (cents)	9.37	7.38	2.35	1.58
Diluted earnings per security/share (cents) from continuing operations	7.58	5.32	2.21	1.41
Diluted earnings per security/share (cents) from discontinued operation	1.77	2.03	0.14	0.16
Total diluted earnings per security/share (cents)	9.35	7.35	2.35	1.57
Core earnings per security (cents)	13.79	12.92	N/A	N/A
Diluted core earnings per security (cents)	13.76	12.86	N/A	N/A
Earnings used in the calculation of basic and diluted earnings per security/share (\$'000)	42,387	32,122	10,641	6,862
Earnings used in the calculation of core earnings per security (refer to calculation in table below) (\$'000)	62,395	56,234	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)	452,484	435,208	452,484	435,208
Weighted average number of stapled securities held by ALL employees under employee share plans (refer to Note 29) ('000)	991	2,069	991	2,069
Weighted average number of stapled securities on issue used in the calculation of diluted earnings per security/share ('000)	453,475	437,277	453,475	437,277

Notes to the Financial Statements

for the year ended 30 June 2016

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 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 2016 \$'000	Consolidated Group 2015 \$'000
Profit used in calculating earnings per stapled security	42,387	32,122
<i>Unrealised items</i>		
- Unrealised net loss/(gain) on derivative financial instruments	170	(552)
- Valuation (gain)/loss - investment properties	(2,059)	501
- Impairment - property, plant and equipment	463	2,646
- Impairment - goodwill	-	141
<i>Non-cash items</i>		
- Straight lining of fixed rent increases	1,909	2,336
- IFRS depreciation ⁽¹⁾	13,029	11,102
- Amortisation of health club brands and customer relationship intangible assets	4,490	6,778
<i>One off realised items</i>		
- Pre-opening expenses	8,638	6,521
- Business acquisition costs (refunded)/paid	(134)	1,938
- (Decrease)/increase in onerous lease provisions	(2,193)	2,598
- Gain on sale and leaseback of family entertainment centres	(1,672)	(6,959)
- Loss on closure of bowling centres	-	104
- Selling costs associated with discontinued operation	1,047	-
Tax impact of above adjustments	(3,680)	(3,042)
Core earnings	62,395	56,234

(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 2016

12. Distributions and dividends paid and payable

(a) Consolidated Group

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

	Dividend cents per stapled security	Distribution cents per stapled security	Total amount \$'000	Distribution tax deferred %	Distribution CGT concession amount %	Distribution Taxable %
2016 dividends and distributions for the half year ended:						
31 December 2015	-	7.00	31,377			
30 June 2016 ⁽¹⁾	-	5.50	25,467			
	-	12.50	56,844	50.48	-	49.52
2015 dividends and distributions for the half year ended:						
31 December 2014	3.00	4.00	30,707			
30 June 2015 ⁽²⁾	-	5.50	24,328			
	3.00	9.50	55,035	30.87	-	69.13

(1) The distribution of 5.50 cents per stapled security for the half year ended 30 June 2016 was not declared prior to 30 June 2016. Refer to Note 44.

(2) The distribution of 5.50 cents per stapled security for the half year ended 30 June 2015 was not declared prior to 30 June 2015.

(b) ALL Group

No dividends were paid by the ALL Group during the year. During the prior year, a subsidiary of ALL paid to the Trust \$1.6 million relating to convertible notes which were classified as equity under Australian Accounting Standards. A fully franked dividend of 3.0 cents per stapled security was paid from the ALL Group totalling \$13.2 million during the prior financial year.

(c) Franking credits

The tax consolidated group has franking credits of \$2,468,214 (2015: \$3,414,276). It is the tax consolidated group's intention to distribute these franking credits to security holders where possible.

13. Receivables

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Trade receivables	13,801	11,315	13,801	11,315
Receivable from the Trust	-	-	-	2,354
Provision for doubtful debts	(515)	(459)	(515)	(459)
	13,286	10,856	13,286	13,210

The Group has recognised an expense of \$252,912 in respect of bad and doubtful trade receivables during the year ended 30 June 2016 (2015: \$199,959). The expense has been included in other expenses in the Income Statement.

Refer to note 38(e) for information on the Group's management of, and exposure to, credit risk.

Notes to the Financial Statements

for the year ended 30 June 2016

14. Derivative financial instruments

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current assets				
Forward foreign exchange contracts	131	263	-	-
	131	263	-	-
Non-current assets				
Forward foreign exchange contracts	-	114	-	-
Interest rate swaps	113	-	-	-
	113	114	-	-
Current liabilities				
Interest rate swaps	1,202	98	132	-
	1,202	98	132	-
Non-current liabilities				
Interest rate swaps	2,937	2,133	1,283	129
	2,937	2,133	1,283	129

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy US dollars and sell Australian dollars. These contracts total A\$0.6 million (2015: A\$2.1 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 \$80.0 million (2015: \$70.0 million) and US\$95.0 million (2015: US\$47.0 million) 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 \$120.0 million (2015: \$90.0 million) and US\$7 million (2015: nil) with start dates from June 2017 and maturities up to June 2019.

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. 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.

Notes to the Financial Statements for the year ended 30 June 2016

14. Derivative financial instruments (continued)

Interest rate swaps (continued)

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

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Less than 1 year	113,292	40,000	40,399	-
1 - 2 years	70,000	111,198	-	39,063
2 - 3 years	154,064	70,000	74,064	-
3 - 4 years	-	-	-	-
4 - 5 years	-	-	-	-
More than 5 years	-	-	-	-
	337,356	221,198	114,463	39,063

15. Inventories

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Goods held for resale	13,022	11,392	13,022	11,392
Provision for diminution	(20)	(20)	(20)	(20)
	13,002	11,372	13,002	11,372

There were no write-downs or reversals of write-downs of inventories during the year ended 30 June 2016 (2015: nil).

16. Discontinued operation

(a) Description

On 22 March 2016, the Group announced its intention to sell d'Albora Marinas, the reportable segment comprising seven marinas located in New South Wales and Victoria. The formal sales process commenced on 12 May 2016. The associated assets and liabilities have been presented as held for sale and a discontinued operation in the annual financial report at 30 June 2016.

(b) Financial performance and cash flow information

The financial performance for the year ended 30 June 2016 was as follows:

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Revenue	23,008	22,965	23,000	22,952
Expenses	13,652	13,759	22,100	21,920
Profit before income tax	9,356	9,206	900	1,032
Income tax expense	275	314	275	314
Profit after income tax of discontinued operation	9,081	8,892	625	718
Costs incurred relating to the sale of the discontinued operation	(1,047)	-	-	-
Profit from discontinued operation	8,034	8,892	625	718

The sale of the Marinas was not completed at 30 June 2016 and therefore no gain on sale of the Marinas has been included in the results for the year. Costs incurred associated with the sale of the Marinas at 30 June 2016 were \$1.0 million, which have been recognised as expenses in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2016

16. Discontinued operation (continued)

(c) Cash flow information

The cash flows for the year ended 30 June 2016 were as follows:

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Net cash inflow from operating activities	11,518	13,787	4,616	9,831
Net cash outflow from investing activities	(8,039)	(4,214)	(1,137)	(258)
Net cash outflow from financing activities	(3,530)	(9,610)	(3,530)	(9,610)
Net decrease in cash and cash equivalents	(51)	(37)	(51)	(37)

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

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2016:

	Consolidated Group 2016 \$'000	ALL Group 2016 \$'000
Assets classified as held for sale		
Cash and cash equivalents	2	2
Receivables	652	652
Inventories	201	201
Other	1,047	349
Investment properties	102,838	-
Property, plant and equipment	8,096	1,474
Deferred tax assets	104	104
Total assets of disposal group held for sale	112,940	2,782
Liabilities directly associated with assets classified as held for sale		
Payables	3,114	2,726
Other	950	950
Provisions	40	40
Total liabilities of disposal group held for sale	4,104	3,716

Notes to the Financial Statements for the year ended 30 June 2016

17. Construction in progress

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

At 30 June 2016, the Group had agreements for construction of six family entertainment centres at Louisville, West Chester, Olathe, Hoffman Estates, Suwanee and Albuquerque. These agreements set out agreed construction timetables, estimated costs and other key terms, including the right of the third party to exercise a put option and recover deposits advanced to the Group should construction not be completed within agreed timeframes. At 30 June 2016, construction on these sites is well progressed and expected to be completed within 12 months and agreed timeframes.

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

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Construction in progress inventories				
Carrying amount at the beginning of the period	-	-	-	-
Additions	74,868	-	74,868	-
Disposals	(12,176)	-	(12,176)	-
Foreign exchange movements	(896)	-	(896)	-
Carrying amount at the end of the period	61,796	-	61,796	-

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

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Construction in progress deposits				
Carrying amount at the beginning of the period	-	-	-	-
Deposits advanced	68,116	-	68,116	-
Foreign exchange movements	(446)	-	(446)	-
Settlements of deposits advanced	(12,176)	-	(12,176)	-
Carrying amount at the end of the period	55,494	-	55,494	-

Notes to the Financial Statements

for the year ended 30 June 2016

18. Other assets

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Prepayments	4,608	6,779	4,079	3,069
Accrued revenue	3,305	3,957	3,305	3,957
	7,913	10,736	7,384	7,026

19. Investment properties

Consolidated Group

Property	Note	Valuer	Cost 2016 \$'000	Cumulative revaluation (decrements)/ increments 2016 \$'000	Consolidated book value 2016 \$'000	Cost 2015 \$'000	Cumulative revaluation (decrements)/ increments 2015 \$'000	Consolidated book value 2015 \$'000
Excess land at Dreamworld	(a)	(1)	-	-	-	2,875	(975)	1,900
Marinas	(b)	(2)	-	-	-	77,594	19,832	97,426
Total			-	-	-	80,469	18,857	99,326

(a) The excess land has been valued by Directors at \$3.6 million (2015: \$1.9 million). This property has been transferred to property, plant and equipment at 30 June 2016 (refer to Note 20).

(b) The Marinas are now classified as assets held for sale. Refer to Note 16 for further details. At 30 June 2016, the total carrying value of d'Albora Marinas (including plant and equipment of \$8.1 million (2015: \$7.8 million) was \$110.9 million (2015: \$105.2 million).

(1) Stephen McDonald, CBRE Valuations Pty Limited, independently valued the excess land on Foxwell Road, Coomera at 31 December 2015 at \$0.7 million. The remaining excess land has been independently valued by John Muchall, Jones Lang LaSalle Advisory Services Pty Limited, at 30 June 2016 at \$2.9 million.

(2) Adam Ellis, LandMark White (Sydney) Pty Limited, independently valued one of the seven properties at 30 June 2016 and a further three properties at 31 December 2015. Two of the remaining three properties were last independently valued at 16 September 2015 and one was last independently valued at 30 June 2015.

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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Carrying amount at the beginning of the year	99,326	95,870	-	-
Additions	5,403	3,957	-	-
Disposals	(364)	-	-	-
Revaluation increments/(decrements)	2,059	(501)	-	-
Transfer to property, plant and equipment	(3,586)	-	-	-
Reclassified as assets held for sale	(102,838)	-	-	-
Carrying amount at the end of the year	-	99,326	-	-

Amounts recognised in the Income Statement for investment properties:

Revenue from investment properties	18,409	18,085	-	-
Property expenses incurred on investment properties	(2,412)	(2,615)	-	-

The revenue from investment properties and property expenses incurred on investment properties during the year relate to the Marinas. At 30 June 2016, the investment properties relating to Marinas are classified as held for sale. Refer to Note 16 for further details.

At 30 June 2016, the Group had receivables from third parties totalling \$652,110 (2015: \$332,646) relating to leases on its investment properties.

Notes to the Financial Statements for the year ended 30 June 2016

20. Property, plant and equipment

Consolidated Group

Segment	Note	Cost less accumulated depreciation	Cumulative revaluation increments/ (decrements)	Consolidated book value	Cost less accumulated depreciation	Cumulative revaluation increments/ (decrements)	Consolidated book value
		2016 \$'000	2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
Theme parks	(1) (2)	219,927	47,806	267,733	213,490	39,015	252,505
Marinas	(3)	-	-	-	7,777	-	7,777
Bowling centres	(4)	104,131	1,191	105,322	104,350	1,900	106,250
Family entertainment centres	(5)	223,732	(86)	223,646	157,322	(86)	157,236
Health clubs	(6)	84,711	-	84,711	83,092	-	83,092
Other	(7)	2,347	-	2,347	2,822	-	2,822
Total		634,848	48,911	683,759	568,853	40,829	609,682

- (1) The book value of Dreamworld and WhiteWater World land and buildings and major rides and attractions (including intangible assets of \$1.6 million (2015: \$0.8 million) and livestock of \$0.2 million (2015: nil)) is \$235.0 million (2015: \$227.5 million). In an independent valuation performed at 30 June 2016 by Jones Lang LaSalle Advisory Services Pty Limited, the fair value for these assets was assessed to be \$235.0 million (2015: \$227.0 million). The Directors have valued other property, plant and equipment of Dreamworld and WhiteWater World at 30 June 2016 at \$0.2 million (2015: \$2.9 million).
- (2) The book value of SkyPoint (including intangible assets of \$3.6 million (2015: \$3.6 million)) is \$34.3 million (2015: \$26.5 million). In an independent valuation performed at 30 June 2016 by Jones Lang LaSalle Advisory Services Pty Limited, the fair value for SkyPoint was assessed to be \$34.3 million (2015: \$26.5 million).
- (3) The property, plant and equipment relating to Marinas has been classified as assets held for sale – refer to Note 16 (2015: \$7.8 million).
- (4) The one remaining freehold building was independently valued at 30 June 2016 at \$1.6 million. At 30 June 2016, the Directors assessed the fair value of the freehold building to be \$1.6 million (2015: \$1.9 million) and the remaining property, plant and equipment to be \$103.7 million (2015: \$104.4 million).
- (5) At 30 June 2016, the Directors assessed the fair value of the property, plant and equipment in the family entertainment centres to be \$223.6 million (2015: \$157.2 million).
- (6) The Directors have valued the property, plant and equipment of health clubs at 30 June 2016 at \$84.7 million (2015: \$83.1 million).
- (7) The fair value of other property, plant and equipment was assessed by the Directors to be \$2.3 million at 30 June 2016 (2015: \$2.8 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	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated Group - 2016						
Carrying amount at the beginning of the year	330,577	65,202	196,618	17,037	248	609,682
Additions	41,558	1,378	101,011	2,078	270	146,295
Acquired through business combinations	-	-	667	-	-	667
Transfer from investment properties	3,586	-	-	-	-	3,586
Reclassified as assets held for sale	(1,632)	-	(4,679)	(1,759)	(26)	(8,096)
Disposals	(22,616)	(1)	(1,483)	(21)	(109)	(24,230)
Depreciation	(16,310)	(1,513)	(35,877)	(4,128)	(93)	(57,921)
Foreign exchange movements	2,966	-	730	9	-	3,705
Revaluation increments	10,534	-	-	-	-	10,534
Impairment	(463)	-	-	-	-	(463)
Carrying amount at the end of the year	348,200	65,066	256,987	13,216	290	683,759

Notes to the Financial Statements for the year ended 30 June 2016

20. 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 - 2015							
Carrying amount at the beginning of the year	283,047	63,579	144,908	492	17,862	274	510,162
Additions	42,834	3,389	66,474	-	3,228	50	115,975
Acquired through business combinations	4,080	-	971	-	469	-	5,520
Transfer to plant and equipment	-	-	492	(492)	-	-	-
Disposals	(415)	-	(1,159)	-	(50)	(3)	(1,627)
Depreciation	(13,657)	(1,766)	(27,294)	-	(4,466)	(73)	(47,256)
Foreign exchange movements	9,793	-	12,226	-	(6)	-	22,013
Revaluation increments	7,541	-	-	-	-	-	7,541
Impairment	(2,646)	-	-	-	-	-	(2,646)
Carrying amount at the end of the year	330,577	65,202	196,618	-	17,037	248	609,682

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
ALL Group - 2016			
Carrying amount at the beginning of the year	86,833	126,767	213,600
Additions	25,050	102,931	127,981
Acquired through business combinations	-	667	667
Transfer to assets held for sale	(2)	(1,472)	(1,474)
Disposals	(22,612)	(352)	(22,964)
Depreciation	(3,071)	(31,080)	(34,151)
Foreign exchange movements	2,922	638	3,560
Impairment	(158)	-	(158)
Carrying amount at the end of the year	88,962	198,099	287,061

	Land and buildings \$'000	Plant and equipment \$'000	Plant and equipment under finance lease \$'000	Total \$'000
ALL Group - 2015				
Carrying amount at the beginning of the year	50,437	72,534	492	123,463
Additions	30,289	62,477	-	92,766
Acquired through business combinations	-	1,441	-	1,441
Transfer to plant and equipment	-	492	(492)	-
Disposals	(399)	(619)	-	(1,018)
Depreciation	(2,305)	(21,848)	-	(24,153)
Foreign exchange movements	9,820	12,290	-	22,110
Impairment	(1,009)	-	-	(1,009)
Carrying amount at the end of the year	86,833	126,767	-	213,600

Notes to the Financial Statements for the year ended 30 June 2016

21. Intangible assets

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Customer relationships at cost	35,948	35,935	35,948	35,935
Accumulated amortisation	(33,746)	(30,386)	(33,746)	(30,386)
	2,202	5,549	2,202	5,549
Brands at cost	12,392	12,312	12,392	12,312
Accumulated amortisation	(6,677)	(5,546)	(6,677)	(5,546)
	5,715	6,766	5,715	6,766
Other intangible assets at cost	15,203	8,251	13,775	6,823
Accumulated amortisation	(5,024)	(2,774)	(3,596)	(1,346)
	10,179	5,477	10,179	5,477
Goodwill at cost	239,731	236,850	239,731	236,850
Accumulated impairment charge	(11,698)	(11,698)	(11,698)	(11,698)
	228,033	225,152	228,033	225,152
Total intangible assets	246,129	242,944	246,129	242,944

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Customer relationships				
Opening net book amount	5,549	5,115	5,549	5,115
Additions	13	6,123	13	6,123
Amortisation	(3,360)	(5,689)	(3,360)	(5,689)
Closing net book amount	2,202	5,549	2,202	5,549
Brands				
Opening net book amount	6,766	6,396	6,766	6,396
Additions	34	1,210	34	1,210
Amortisation	(1,131)	(1,089)	(1,131)	(1,089)
Foreign exchange movements	46	249	46	249
Closing net book amount	5,715	6,766	5,715	6,766
Other intangible assets				
Opening net book amount	5,477	1,488	5,477	1,488
Additions	7,002	4,803	7,002	4,803
Amortisation	(2,250)	(814)	(2,250)	(814)
Foreign exchange movements	(50)	-	(50)	-
Closing net book amount	10,179	5,477	10,179	5,477
Goodwill				
Opening net book amount	225,152	188,238	225,152	188,238
Additions	857	27,664	857	27,664
Foreign exchange movements	2,024	9,391	2,024	9,391
Impairment	-	(141)	-	(141)
Closing net book amount	228,033	225,152	228,033	225,152
Total intangible assets	246,129	242,944	246,129	242,944

Notes to the Financial Statements

for the year ended 30 June 2016

21. Intangible assets (continued)

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 and franchise agreements for the use of the Hypoxi brand in March 2014.

Other intangible assets

Other intangible assets represent registered trademarks associated with Dreamworld operations, intellectual property associated with liquor licences held by the bowling centres and software built across all the business units in the Group.

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 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 as disclosed in Note 37.

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

Consolidated Group and ALL Group

2016	Australia \$'000	United States \$'000	New Zealand \$'000	Total \$'000
Theme parks	4,366	-	-	4,366
Bowling centres	21,127	-	3,739	24,866
Family entertainment centres	-	56,369	-	56,369
Health clubs	142,432	-	-	142,432
	167,925	56,369	3,739	228,033
2015	Australia \$'000	United States \$'000	New Zealand \$'000	Total \$'000
Theme parks	4,366	-	-	4,366
Bowling centres	20,270	-	3,476	23,746
Family entertainment centres	-	54,608	-	54,608
Health clubs	142,432	-	-	142,432
	167,068	54,608	3,476	225,152

Notes to the Financial Statements for the year ended 30 June 2016

21. Intangible assets (continued)

Impairment tests for goodwill

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

Key assumptions used for value in use calculations

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

	Budget/forecast EBITDA period growth rate		Long term EBITDA growth rate ⁽¹⁾		Post-tax discount rate ⁽²⁾	
	2016	2015	2016	2015	2016	2015
	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Theme parks ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
Bowling centres	2.00	2.00	2.00	2.00	7.65	8.26
Health clubs	0.00 - 2.00	0.00 - 2.00	2.00	2.00	7.65	8.26
Family entertainment centres	3.00	3.00	3.00	3.00	6.89	7.16

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

(2) In performing the value in use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. Pre-tax discount rates are 8.19% (2015: 9.51%) for bowling centres, 8.68% (2015: 9.75%) for health clubs and 8.30% (2015: 8.42%) for family entertainment centres.

(3) All non-current assets in the theme parks division are already held at fair value at 30 June 2016 and were independently valued by Jones Lang LaSalle (refer to Note 20). As a result, no impairment testing is required at 30 June 2016.

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 post-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 2017-2020 financial year budgets/forecasts. Cash flows beyond the budget period are extrapolated using the growth rates stated above. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

Sensitivity to changes in assumptions

Management recognises that the calculation of recoverable amount can vary based on the assumptions used to project or discount cash flows and those changes to key assumptions can result in recoverable amounts falling below carrying amounts.

In relation to the CGUs above, the recoverable amounts of bowling centres, family entertainment centres and health clubs are all well in excess of their carrying amounts.

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

Notes to the Financial Statements

for the year ended 30 June 2016

22. Deferred tax assets

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss:</i>				
Doubtful debts	154	142	154	142
Employee benefits	6,032	5,471	6,032	5,471
Provisions and accruals	3,284	4,287	3,284	4,287
Depreciation of property, plant and equipment	1,398	831	1,398	831
Inventory diminution	50	24	50	24
Deferred income	119	96	119	96
Unrealised foreign exchange losses	8	-	8	-
Difference in overseas tax rates	26	-	26	-
Lease incentives	4,701	4,117	4,701	4,117
Other	452	98	452	98
Deferred tax assets	16,224	15,066	16,224	15,066
Set-off of deferred tax balances pursuant to set-off provisions				
Australia	(3,057)	(4,663)	(3,057)	(4,663)
United States	(7,170)	(6,160)	(7,170)	(6,160)
Net deferred tax assets	5,997	4,243	5,997	4,243
<i>Movements</i>				
Balance at the beginning of the year	15,066	8,121	15,066	8,121
Credited to the Income Statement (refer to Note 10)	878	6,732	878	6,732
Reclassified as assets held for sale (refer to Note 16)	(165)	-	(165)	-
Credited to cash flow hedge reserve (refer to Note 30)	441	24	441	24
Acquired through business combinations (refer to Note 32)	4	189	4	189
Balance at the end of the year	16,224	15,066	16,224	15,066
Deferred tax assets to be recovered within 12 months	8,587	8,736	8,587	8,736
Deferred tax assets to be recovered after more than 12 months	7,637	6,330	7,637	6,330
	16,224	15,066	16,224	15,066

Notes to the Financial Statements for the year ended 30 June 2016

23. Payables

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current				
Custodian fee	47	48	-	-
Interest payable	513	412	180	85
GST payable	1,617	1,661	1,619	1,666
Trade creditors	17,143	8,770	17,143	8,770
Payable to the Trust	-	-	1,414	-
Property expenses payable	1,001	761	-	-
Employee share plan	107	170	1,742	3,497
Employee benefits	20,785	17,238	20,785	17,238
Deferred income	8,422	12,864	8,422	12,864
Deferred settlement for acquisition of business	-	2,377	-	-
Stamp duty payable for acquisition of business	-	1,823	-	1,823
Straight-line rent liability	18,699	17,056	4,642	3,760
Lease incentive liabilities	14,155	11,245	14,155	11,245
Property tax payable	2,456	1,826	2,456	1,826
Other creditors and accruals	21,462	15,072	21,141	13,513
Total payables	106,407	91,323	93,699	76,287

24. Interest bearing liabilities

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Non-current				
Bank loan - term debt	314,944	279,761	148,869	110,547
Less: amortised costs - bank loan	(2,041)	(1,143)	(1,002)	(442)
Loans from the Trust ⁽¹⁾	-	-	128,221	126,901
Total interest bearing liabilities	312,903	278,618	276,088	237,006

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

On 11 August 2015, the Group completed refinancing of its syndicated loan facilities. This resulted in an increase in the available USD facilities to US\$280.0 million (2015: US\$160.0 million) and an extended tenure maturing in equal tranches of three, four and five years respectively. Australian dollar facilities remain at \$200.0 million (2015: \$200.0 million); however, they have been similarly extended to mature in equal tranches of three, four and five years respectively.

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:

- Debt serviceability ratio, being the ratio of debt to EBITDA adjusted for unrealised and one off items (adjusted EBITDA), must not exceed 3.5 (2015: 3.75); and
- Fixed charge cover ratio, being the ratio of adjusted EBITDA to fixed charges, must be no less than 1.75 (2015: 1.75).

Notes to the Financial Statements for the year ended 30 June 2016

24. Interest bearing liabilities (continued)

Total secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for borrowings are:

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current				
<i>Mortgage</i>				
Assets classified as held for sale	102,838	-	-	-
	102,838	-	-	-
<i>Floating charge</i>				
Cash and cash equivalents	9,070	4,986	8,391	4,685
Receivables	13,286	10,856	13,286	13,210
Derivative financial instruments	131	263	-	-
Inventories	13,002	11,372	13,002	11,372
Current tax receivables	3,275	1,740	3,275	1,740
Assets classified as held for sale	10,102	-	2,782	-
Construction in progress inventories	61,796	-	61,796	-
Other	7,913	10,736	7,384	7,026
	118,575	39,953	109,916	38,033
Total current assets	221,413	39,953	109,916	38,033
Non-current				
<i>Mortgage</i>				
Investment properties	-	99,326	-	-
Land and buildings	348,200	330,577	88,962	86,833
	348,200	429,903	88,962	86,833
<i>Floating charge</i>				
Plant and equipment	335,559	279,105	198,099	126,767
Derivative financial instruments	113	114	-	-
Livestock	221	245	221	245
Intangible assets	18,096	17,792	18,096	17,792
	353,989	297,256	216,416	144,804
Total non-current assets	702,189	727,159	305,378	231,637
Total assets	923,602	767,112	415,294	269,670

Notes to the Financial Statements for the year ended 30 June 2016

24. Interest bearing liabilities (continued)

Credit facilities

As at 30 June 2016, the Group had unrestricted access to the following credit facilities:

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
A\$ syndicated facilities	200,000	200,000	-	-
Amount used	(142,433)	(144,400)	-	-
Amount unused	57,567	55,600	-	-
US\$ syndicated facilities	377,054	208,334	350,121	182,292
Amount used	(172,511)	(135,361)	(148,869)	(110,547)
Amount unused	204,543	72,973	201,252	71,745
Trust facilities	-	-	226,933	226,042
Amount used	-	-	(128,221)	(126,901)
Amount unused	-	-	98,712	99,141
Total facilities	577,054	408,334	577,054	408,334
Total amount used	(314,944)	(279,761)	(277,090)	(237,448)
Total amount unused	262,110	128,573	299,964	170,886

Consolidated Group

The Group has access to A\$200.0 million (2015: A\$200.0 million) syndicated facilities and US\$280.0 million (2015: US\$160.0 million) syndicated facilities. A\$66.7 million of the AUD facilities will mature on 10 August 2018, A\$66.7 million will mature on 10 August 2019 and A\$66.7 million will mature on 10 August 2020. US\$93.3 million of the USD facilities will mature on 10 August 2018, US\$93.3 million will mature on 10 August 2019 and US\$93.3 million will mature on 10 August 2020.

All of the facilities have a variable interest rate. As detailed in Note 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 2016, including the impact of the interest rate swaps, is 4.32% per annum for AUD denominated debt (2015: 4.28% per annum) and 2.37% per annum for USD denominated debt (2015: 1.92% per annum).

ALL Group

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

Australian dollar Trust loan facilities totalling \$200.0 million (2015: \$200.0 million) have a maturity date of 10 August 2018. In addition, the ALL Group has US\$20.0 million (2015: US\$20.0 million) facilities with the Trust maturing on 10 August 2018.

The ALL Group has access to US\$260.0 million (2015: US\$140.0 million) syndicated facilities. US\$73.3 million of the facilities will mature on 10 August 2018, US\$93.3 million will mature on 10 August 2019 and US\$93.3 million will mature on 10 August 2020.

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

Notes to the Financial Statements for the year ended 30 June 2016

25. Provisions

(a) Distributions to stapled security holders

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Opening balance	-	-	-	-
Distributions/dividends declared	55,705	55,820	-	14,790
Distributions/dividends paid	(14,465)	(39,041)	10,979	(11,132)
Distributions reinvested	(41,240)	(16,779)	(10,979)	(3,658)
Closing balance	-	-	-	-

A provision for the distribution relating to the half year to 30 June 2016 was not recognised as the distribution had not been declared at the reporting date. Refer to Note 44.

(b) Other provisions

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Current				
Employee benefits	3,871	3,047	3,871	3,047
Sundry ⁽¹⁾	158	189	158	189
Total current	4,029	3,236	4,029	3,236
Non-current				
Employee benefits	1,262	1,803	1,262	1,803
Property onerous lease contracts	2,030	4,221	382	1,569
Property make good obligations	11,695	9,745	2,770	2,180
Total non-current	14,987	15,769	4,414	5,552
Total provisions	19,016	19,005	8,443	8,788
Movements in sundry provisions				
Carrying amount at the beginning of the year	189	572	189	572
Additional provisions recognised	292	411	292	411
Amounts utilised	(323)	(794)	(323)	(794)
Carrying amount at the end of the year	158	189	158	189

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

The current provision for employee benefits includes accrued long service leave which covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. This is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. These employee benefits are actively monitored by management and therefore, the Group expects 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 2016

26. Other liabilities

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Security deposits	1,985	2,694	1,985	2,694
	1,985	2,694	1,985	2,694

27. Deferred tax liabilities

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
<i>The balance comprises temporary differences attributable to:</i>				
<i>Amounts recognised in profit or loss:</i>				
Intangible assets	2,355	3,682	2,355	3,682
Prepayments	385	837	385	837
Accrued revenue	81	122	81	122
Depreciation of property, plant and equipment	40,944	28,045	40,944	28,045
Deferred tax liabilities	43,765	32,686	43,765	32,686
<i>Set-off deferred tax balances pursuant to set-off provisions</i>				
Australia	(3,057)	(4,663)	(3,057)	(4,663)
United States	(7,170)	(6,160)	(7,170)	(6,160)
Net deferred tax liabilities	33,538	21,863	33,538	21,863
<i>Movements</i>				
Balance at the beginning of the year	32,686	15,420	32,686	15,420
Charged to the Income Statement (refer to Note 10)	11,136	15,086	11,136	15,086
Reclassified as liabilities directly associated with assets held for sale	(61)	-	(61)	-
Acquired through business combinations	4	2,180	4	2,180
Balance at the end of the year	43,765	32,686	43,765	32,686
Deferred tax liabilities to be settled within 12 months	383	845	383	845
Deferred tax liabilities to be settled after more than 12 months	43,382	31,841	43,382	31,841
	43,765	32,686	43,765	32,686

Notes to the Financial Statements

for the year ended 30 June 2016

28. Contributed equity

No. of securities/shares	Details	Date of income entitlement	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
405,055,708	Securities/shares on issue	30 Jun 2014		513,912		16,309
6,358,756	DRP issue	1 Jul 2014		16,779		3,658
1,751,698	Security-based payments - securities/shares issued	1 Jul 2014		5,255		878
110,302	Security-based payments - securities/shares issued	1 Jan 2015		228		59
20,746,888	Fitness First WA placement	1 Jul 2014		50,000		8,356
8,298,754	Security Purchase Plan	1 Jul 2014		20,000		3,342
-	Issue costs paid			(993)		(167)
-	Capital reallocation			-		122,827
442,322,106	Securities/shares on issue	30 Jun 2015	605,181	605,181	155,262	155,262
19,377,615	DRP issue	1 Jul 2015	41,240		10,979	
1,339,895	Security-based payments - securities/shares issued	1 Jul 2015	3,377		880	
-	Issue costs paid		(78)		(21)	
463,039,616	Securities/shares on issue	30 Jun 2016	649,720	605,181	167,100	155,262

(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 2016 and was in operation and fully underwritten for the half year ended 31 December 2015.

(ii) Security-based payments

The Group has Deferred Short Term Incentive Plan and Long Term Incentive Plan 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) Fitness First WA placement and Security Purchase Plan

On 7 August 2014 and 15 September 2014, the Group issued stapled securities under a placement and a Security Purchase Plan respectively to fund the acquisition of eight Fitness First health clubs in Western Australia and future investment in Main Event.

(iv) Capital reallocation

The Group and ALL Group implemented a capital reallocation during the prior period of 28 cents per stapled security. This resulted in \$122.8 million of capital being transferred from the Trust to the Company. There was no impact on the number of units and the number of shares on issue as a result of the capital reallocation.

Notes to the Financial Statements for the year ended 30 June 2016

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; however, Non-Executive Directors do not participate in the DSTI.
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 384,988 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 financial results announcement for the year ended 30 June 2011. A total of 286,776 performance rights vested on 20 August 2015 and a corresponding number of stapled securities were issued to Australian employees under the terms of the DSTI (2015: 716,574).

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.

Notes to the Financial Statements

for the year ended 30 June 2016

29. Security-based payments (continued)

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

US employees

Due to previous restrictions on the issue of securities to US residents, those US executives eligible for the DSTI were subject to a shadow performance rights scheme whereby a cash payment was made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested was 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 was made. Due to the nature of the scheme, this was considered to be a cash settled share-based payment under AASB 2.

All performance rights issued after 1 July 2014 to US employees are to be settled in equity upon vesting. As such, these performance rights are considered to be equity settled share-based payments under AASB 2. A total of 98,212 equity settled performance rights vested during the financial year (2015: 56,829). In the ALL financial statements, all performance rights issued to US employees are considered cash settled.

Fair value – US employees

The fair value of cash settled performance rights is determined at grant date and 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.

The fair value of equity settled performance rights is determined at each grant date using a binomial tree valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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 2016, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2016:

Grant	2014	2015
Grant date	19 August 2014	18 August 2015
Vesting date – year 1	20 August 2015	31 August 2016
Vesting date – year 2	31 August 2016	31 August 2017
Average risk free rate	2.50% per annum	1.90% per annum
Expected price volatility	27.0% per annum	34.5% per annum
Expected distribution yield	4.3% per annum	5.7% per annum
Stapled security price at grant date	\$3.00	\$2.18
Valuation per performance right on issue	\$2.81	\$2.00

The table below shows the fair value of the performance rights in each grant as at 30 June 2016 as well as the factors used to value the performance rights as at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2016:

Grant	2014	2015
Grant date	19 August 2014	18 August 2015
Vesting date – year 1	20 August 2015	31 August 2016
Vesting date – year 2	31 August 2016	31 August 2017
Average risk free rate	1.60% per annum	1.60% per annum
Expected price volatility	40.0% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	6.6% per annum
Stapled security price at year end	\$1.88	\$1.88
Valuation per performance right at year end	\$1.88	\$1.81

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 2016

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

	Consolidated Group 2016	Consolidated Group 2015	ALL Group 2016	ALL Group 2015
Performance rights issued to participating executives:				
Performance rights	791,724	543,698	791,724	543,698

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
23 Aug 2013	20 Aug 2015	nil	166.1 cents	213,931	-	(213,931)	-	-	-
19 Aug 2014	31 Aug 2016	nil	280.8 cents	329,767	-	(171,057)	-	(11,269)	147,441
18 Aug 2015	31 Aug 2017	nil	199.7 cents	-	671,893	-	-	(27,610)	644,283
				543,698	671,893	(384,988)	-	(38,879)	791,724

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; however, Non-Executive Directors do not participate in the LTIP.
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 and 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 two, three and four years following the grant date, subject to meeting the total shareholder return (TSR) and internal compound EPS performance hurdles. The weighting between the two hurdles will be split as follows: <ul style="list-style-type: none"> • TSR – 50%; and • EPS – 50%.

Notes to the Financial Statements

for the year ended 30 June 2016

29. Security-based payments (continued)

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

Plan name	LTIP
What are the vesting conditions?	<p>For grants made after 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 with maximum vesting achieved at the 75th percentile; 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 with maximum vesting achieved at 10% compound EPS growth.
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 S&P/ASX Small Industrials Index.
Did any of the securities vest?	During the financial year, a total of 993,905 performance rights vested into fully paid stapled securities 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 TSR performance of the Group relative to its peer group, which is the S&P/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 2011, 2012 and 2013 with the following results:

Tranche	TSR	Percentile	Vesting percentage
T3-2011	119.09%	81.82	100.0%
T2-2012	103.94%	79.12	100.0%
T1-2013	45.48%	68.63	87.3%

A total of 939,923 performance rights vested on 20 August 2015 and a corresponding number of stapled securities were issued to Australian employees under the terms of the LTIP (2015: 1,145,426).

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 2016

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 previous restrictions on the issue of securities to US residents, those US executives eligible for the LTIP were subject to a shadow performance rights scheme whereby a cash payment was 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 38,998 cash settled performance rights vested on 20 August 2015 to US employees under the terms of the LTIP (2015: 57,452).

All performance rights issued after 1 July 2014 to US employees are settled in equity upon vesting. These performance rights are considered to be equity settled share-based payments under AASB 2. A total of 14,984 equity settled performance rights vested on 20 August 2015 to US employees under the terms of the LTIP (2015: nil).

Fair value – US employees

The fair value of cash settled performance rights is determined at grant date and 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.

The fair value of equity settled performance rights is determined at grant date using a Monte Carlo simulation valuation model. This is recorded as an employee benefit expense with a corresponding increase in equity.

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 2016, the table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. Under AASB 2, this valuation is used to value the equity settled performance rights granted to employees at 30 June 2016:

Grant	2012	2013	2014	2015
Grant date	24 August 2012	23 August 2013	19 August 2014	15 December 2015
Vesting date – year 2	19 August 2014	20 August 2015	31 August 2016	31 August 2017
Vesting date – year 3	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 4	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Average risk free rate	2.73% per annum	2.60% per annum	2.57% per annum	2.10% per annum
Expected price volatility	35.0% per annum	32.0% per annum	27.0% per annum	38.3% per annum
Expected distribution yield	9.1% per annum	6.6% per annum	4.3% per annum	5.8% per annum
Stapled security price at grant date	\$1.29	\$1.82	\$3.00	\$2.17
Valuation per performance right on issue	\$0.61	\$0.76	\$1.54	\$1.12

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016 as well as the factors used to value the performance rights at 30 June 2016. Under AASB 2, this valuation is used to value the cash settled performance rights granted to employees at 30 June 2016:

Grant	2012	2013	2014	2015
Grant date	24 August 2012	23 August 2013	19 August 2014	15 December 2015
Vesting date – year 2	19 August 2014	20 August 2015	31 August 2016	31 August 2017
Vesting date – year 3	20 August 2015	31 August 2016	31 August 2017	31 August 2018
Vesting date – year 4	31 August 2016	31 August 2017	31 August 2018	31 August 2019
Average risk free rate	1.60% per annum	1.60% per annum	1.60% per annum	1.60% per annum
Expected price volatility	40.0% per annum	40.0% per annum	40.0% per annum	40.0% per annum
Expected distribution yield	6.6% per annum	6.6% per annum	6.6% per annum	6.6% per annum
Stapled security price at year end	\$1.88	\$1.88	\$1.88	\$1.88
Valuation per performance right on issue	\$1.21	\$1.04	\$0.28	\$0.85

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.

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 is split equally between the two performance measures.

Notes to the Financial Statements for the year ended 30 June 2016

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 2016	Consolidated Group 2015	ALL Group 2016	ALL Group 2015
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Performance rights issued to participating executives:

Performance rights	2,162,697	2,348,012	2,162,697	2,348,012
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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
16 Dec 2010	19 Aug 2014	nil	52.3 cents	-	-	-	-	-	-
12 Sep 2011	20 Aug 2015	nil	43.7 cents	441,109	-	(441,109)	-	-	-
24 Aug 2012	31 Aug 2016	nil	60.9 cents	647,177	-	(323,587)	-	-	323,590
23 Aug 2013	31 Aug 2017	nil	76.3 cents	787,631	-	(229,209)	(33,341)	(10,746)	514,337
19 Aug 2014	31 Aug 2018	nil	153.9 cents	472,095	-	-	-	-	472,095
15 Dec 2015	31 Aug 2019	nil	112.3 cents	-	852,675	-	-	-	852,675
				2,348,012	852,675	(993,905)	(33,341)	(10,746)	2,162,697

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

The expense recorded in the Group financial statements in the year in relation to the performance rights was \$1,529,237 (2015: \$1,761,441). The expense recorded in the ALL Group financial statements in the year in relation to the performance rights was \$1,703,232 (2015: \$2,595,805).

Notes to the Financial Statements for the year ended 30 June 2016

30. Reserves

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Asset revaluation reserve				
Opening balance	10,429	6,225	3,416	3,416
Revaluation - Theme parks	11,243	7,541	-	-
Revaluation - Bowling centres	(709)	-	-	-
Transfer to retained profits - realised items	(3,527)	(3,337)	-	-
Closing balance	17,436	10,429	3,416	3,416
Capital reserve				
Opening balance	-	(11,018)	-	-
Transfer from retained profits - pre-opening expenses	-	(4,677)	-	-
Transfer to retained profits	-	15,695	-	-
Closing balance	-	-	-	-
Cash flow hedge reserve				
Opening balance	(2,058)	(1,124)	(70)	(19)
Movement in effective cash flow hedges	(1,878)	(958)	(1,321)	(75)
Tax on movement on US cash flow hedges	441	24	441	24
Closing balance	(3,495)	(2,058)	(950)	(70)
Foreign currency translation reserve				
Opening balance	(35,145)	(38,768)	4,292	(2,624)
Translation of foreign operations	2,049	3,623	2,277	6,916
Closing balance	(33,096)	(35,145)	6,569	4,292
Stapled security-based payment reserve				
Opening balance	(3,917)	(96)	-	-
Option expense	(1,866)	(3,821)	-	-
Closing balance	(5,783)	(3,917)	-	-
Performance fee reserve				
Opening balance	-	1,132	-	-
Transfer to retained profits	-	(1,132)	-	-
Closing balance	-	-	-	-
Goodlife put and call option reserve				
Opening balance	-	(2,269)	-	(2,310)
Transfer to retained profits	-	2,269	-	2,310
Closing balance	-	-	-	-
Total reserves	(24,938)	(30,691)	9,035	7,638

Notes to the Financial Statements for the year ended 30 June 2016

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 was previously 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. This reserve was transferred to retained profits in the prior year.

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 Notes 1(p)(ii) and 14.

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

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

The performance fee reserve was previously 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. The reserve was transferred to retained profits in the prior year.

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 an earlier period, the Group acquired the remaining interest in Ardent Leisure Health Clubs 1 Pty Limited. The reserve was transferred to retained profits in the prior year.

31. (Accumulated losses)/retained profits

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Opening balance	4,992	37,508	(11,893)	(1,655)
Profit for the year	42,387	32,122	10,641	6,862
Available for distribution	47,379	69,630	(1,252)	5,207
Transfer from asset revaluation reserve	3,527	3,337	-	-
Transfer from capital reserve	-	(11,018)	-	-
Transfer from performance fee reserve	-	1,132	-	-
Transfer from Goodlife put and call option reserve	-	(2,269)	-	(2,310)
Distributions and dividends paid and payable	(55,705)	(55,820)	-	(14,790)
Closing balance	(4,799)	4,992	(1,252)	(11,893)

The distribution of 5.5 cents per stapled security for the year ended 30 June 2016 totalling \$25.5 million had not been declared at year end. This will be paid on or before 31 August 2016, as described in Note 44.

Notes to the Financial Statements

for the year ended 30 June 2016

32. Business combinations

Current period

KAOS Amusement Arcade

On 6 October 2015, the Group acquired an amusement arcade in Penrith, NSW for \$1.3 million. Transaction costs totalling \$63,782 were incurred on this acquisition, expensed in the Income Statement and recognised within operating cash flows in the Statement of Cash Flows.

The acquired business contributed revenues of \$0.8 million and a profit before allocation of Group costs and tax of \$0.3 million to the Group for the period from 6 October 2015 to 30 June 2016. If the acquisition had occurred on 1 July 2015, it would have contributed revenues of \$1.1 million and a profit before allocation of Group costs and tax of \$0.4 million for the year ended 30 June 2016.

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	1,297	1,398
Total purchase consideration	1,297	1,398
Fair value of net identifiable assets acquired	440	541
Goodwill	857	857

	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	10	10	10	10
Property, plant and equipment	460	584	460	584
Net deferred tax asset	4	4	4	4
Deferred income	-	(45)	-	(45)
Provision for property make good obligations	-	(101)	-	-
Employee benefits provision	(12)	(12)	(12)	(12)
Net identifiable assets acquired	462	440	462	541

	Consolidated Group \$'000	ALL Group \$'000
Outflow of cash to acquire business:		
Cash consideration	1,297	1,398
Outflow of cash	1,297	1,398

Hypoxi Caroline Springs

On 3 August 2015, the Group acquired a Hypoxi studio at Caroline Springs, Victoria for \$0.1 million. No goodwill was recognised on acquisition.

Prior period

During the period, the Group finalised its prior year acquisitions of the Fitness First WA health clubs, Hypoxi US and Canada distribution and master franchise rights, the amusement arcade at Highpoint Victoria, the Hypoxi Studio at Ballantyne, North Carolina and the Hypoxi Studio at Randwick, Sydney. The deferred payment of \$2.4 million relating to the Fitness First WA acquisition was paid in September 2015. Purchase price and goodwill adjustments on finalisation were immaterial in nature.

Notes to the Financial Statements for the year ended 30 June 2016

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 2016 as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Cash at bank	9,009	4,923	8,330	4,622
Cash on deposit	61	63	61	63
Total cash and cash equivalents	9,070	4,986	8,391	4,685

Cash on deposit at call in the Group bears an average floating interest rate of 1.66% per annum (2015: 1.89% per annum).
Cash on deposit at call in the ALL Group bears an average floating interest rate of 1.75% per annum (2015: 2.00% per annum).

34. Cash flow information

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

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Profit for the year	42,387	32,122	10,641	6,862
<i>Non-cash items</i>				
Depreciation of property, plant and equipment	57,921	47,256	34,151	24,153
Amortisation	6,741	7,592	6,741	7,592
Depreciation of livestock	24	30	24	30
Impairment of goodwill	-	141	-	141
Security-based payments	1,539	1,396	1,713	2,231
Provision for doubtful debts	253	200	253	200
(Decrease)/increase in onerous lease provisions	(2,193)	2,598	(1,146)	1,465
Loss on sale of property, plant and equipment and livestock	513	919	139	772
Loss on closure of bowling centre	-	104	-	-
Impairment of property, plant and equipment	463	2,646	158	1,009
Valuation (gains)/loss on investment properties and property, plant and equipment	(2,059)	501	-	-
<i>Classified as financing activities</i>				
Borrowing costs	14,874	11,333	13,337	11,731
<i>Classified as investing activities</i>				
Unrealised net loss/(gain) on derivative financial instruments	170	(552)	-	-
Gain on sale and leaseback of family entertainment centres	(1,672)	(7,355)	(1,672)	(7,355)
<i>Changes in asset and liabilities:</i>				
<i>(Increase)/decrease in assets:</i>				
Receivables	(3,336)	(3,345)	(981)	(4,633)
Inventories	(1,831)	(1,993)	(1,831)	(1,993)
Deferred tax assets	(1,857)	(2,265)	(1,857)	(2,265)
Construction in progress inventories	(62,692)	-	(62,692)	-
Other assets	1,533	(3,333)	(2,233)	(3,123)
<i>Increase/(decrease) in liabilities:</i>				
Payables and other liabilities	18,917	19,040	33,960	17,422
Provisions	174	(136)	217	764
Payable to the Trust	-	-	(3,824)	2,033
Construction in progress deposits	55,940	-	55,940	-
Current tax liabilities	(1,398)	363	(1,424)	358
Deferred tax liabilities	11,010	8,090	11,010	8,090
Net cash flows from operating activities	135,421	115,352	90,624	65,484

Notes to the Financial Statements for the year ended 30 June 2016

34. Cash flow information (continued)

(b) Non-cash financing and investing activities

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'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	41,240	16,779	10,979	3,658

35. Net tangible assets

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000
Net tangible assets are calculated as follows:		
Total assets	1,157,632	996,507
Less: intangible assets	(246,129)	(242,944)
Less: total liabilities	(537,649)	(417,025)
Net tangible assets	373,854	336,538
Total number of stapled securities on issue	463,039,616	442,322,106
Net tangible asset backing per stapled security	\$0.81	\$0.76

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 (Chair);
 Roger Davis;
 David Haslingden;
 Don Morris AO;
 Deborah Thomas;
 George Venardos; and
 Melanie Willis.

(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 2016

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 Sub Trust	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 centres	USA	Ordinary
Goodlife Operations Pty Limited	Health clubs	Australia	Ordinary
Hypoxi Australia Pty Limited	Targeted weight loss solutions	Australia	Ordinary
Hypoxi (US) LLC, Inc	Targeted weight loss solutions	USA	Ordinary

(d) Transactions with related parties

Key management personnel

	Consolidated Group 2016	Consolidated Group 2015	ALL Group 2016	ALL Group 2015
	\$	\$	\$	\$
Short term employee benefits	4,999,598	4,587,929	4,999,598	4,587,929
Post-employment benefits	182,825	168,555	182,825	168,555
Termination benefits	855,644	-	855,644	-
Share-based payments	1,249,248	1,284,888	1,239,468	1,665,352
	7,287,315	6,041,372	7,277,535	6,421,836

Remuneration of key management personnel (KMP) is shown in the Directors' report from pages 13 to page 33.

(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 David Haslingden and Melanie Willis by virtue of their positions as non-executive directors 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.

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 2016

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 2016 \$	Consolidated Group 2015 \$	ALL Group 2016 \$	ALL Group 2015 \$
Purchases of goods				
Purchase of services from related parties	(856,133)	-	(856,133)	-
Reimbursable expenses to related parties	(37,226)	(15,312)	(37,226)	(15,312)
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	(4,538,444)	(4,828,281)
Loans from Ardent Leisure Trust				
Balance at the beginning of the year	-	-	(126,900,500)	(125,365,392)
Loans advanced	-	-	(85,096,033)	(129,802,645)
Loan repayments made	-	-	89,699,028	134,550,710
Foreign exchange movements	-	-	(25,183)	(39,692)
Interest charged	-	-	(5,898,585)	(6,243,481)
Balance at the end of the year	-	-	(128,221,273)	(126,900,500)

37. Segment information

Business segments

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

Marinas

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

Family entertainment centres

This segment comprises of 27 Main Event sites in Texas, Arizona, Georgia, Illinois, Kentucky, Missouri, New Mexico, Ohio, Oklahoma and Tennessee, United States of America.

Bowling centres

This segment comprises 48 bowling centres and six amusement arcades located in Australia and New Zealand.

Theme parks

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

Health clubs

This comprises 76 clubs in Queensland, New South Wales, Victoria, South Australia and Western Australia, including 14 in-club Hypoxi studios. The division also includes two independent Hypoxi studios in New South Wales and two independent Hypoxi studios in Phoenix, Arizona.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA before property costs and after property costs. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is looked at after adjusting for pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, increase/decrease in onerous lease provisions, amortisation of health club brands and customer relationship intangible assets, impairment of property, plant and equipment and intangible assets and discontinued operation selling costs. 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 2016

37. Segment information (continued)

Business segment 2016

Consolidated Group

	Discontinued operation		Continuing operations				Total \$'000
	Marinas \$'000	Family entertainment centres \$'000	Bowling centres \$'000	Theme parks \$'000	Health clubs \$'000	Other \$'000	
Revenue from operating activities	23,000	238,974	130,494	107,582	187,555	9	687,614
Divisional EBITDA before property costs ⁽¹⁾	12,569	87,260	45,291	35,947	77,511	-	258,578
Divisional EBITDA ⁽²⁾	10,157	59,168	18,224	34,725	30,114	-	152,388
Depreciation and amortisation ⁽³⁾	(730)	(17,827)	(9,344)	(5,492)	(12,620)	(1,153)	(47,166)
Divisional EBIT⁽⁴⁾	9,427	41,341	8,880	29,233	17,494	(1,153)	105,222
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, decrease in onerous lease provisions, health club brands and customer relationship intangible asset amortisation, impairment of property, plant and equipment and discontinued operation selling costs not included in divisional EBIT							(27,383)
Valuation gains - investment properties							2,059
Loss on disposal of assets							(514)
Gain on sale and leaseback of family entertainment centres							1,672
Net loss from derivative financial instruments							(170)
Interest income							81
Corporate costs							(15,144)
Business acquisition costs refunded							134
Borrowing costs							(14,874)
Net tax expense							(8,696)
Profit for the year							42,387
Total assets	113,093	357,836	137,986	283,774	251,144	13,799	1,157,632
Acquisitions of property, plant and equipment, investment properties and intangible assets	6,448	106,013	16,968	9,638	20,612	592	160,271

(1) Excludes pre-opening expenses of \$8,638,000.

(2) Excludes pre-opening expenses of \$8,638,000, straight lining of fixed rent increases of \$1,909,000 and a decrease in onerous lease provisions of \$2,193,000.

(3) Excludes IFRS depreciation of \$13,029,000, amortisation of health club brands and customer relationship intangible assets totalling \$4,490,000 and impairment of property, plant and equipment of \$463,000.

(4) Excludes of pre-opening expenses of \$8,638,000, straight lining of fixed rent increases of \$1,909,000, a decrease in onerous lease provisions of \$2,193,000, IFRS depreciation of \$13,029,000, amortisation of health club brands and customer relationship intangible assets of \$4,490,000 and impairment of property, plant and equipment of \$463,000.

Notes to the Financial Statements

for the year ended 30 June 2016

37. Segment information (continued)

Business segment 2015

Consolidated Group

	Marinas \$'000	Family entertainment centres \$'000	Bowling centres \$'000	Theme parks \$'000	Health clubs \$'000	Other \$'000	Total \$'000
Revenue from operating activities	22,952	177,123	116,510	99,571	178,388	59	594,603
Divisional EBITDA before property costs ⁽¹⁾	12,765	64,439	40,279	33,163	72,543	49	223,238
Divisional EBITDA ⁽²⁾	10,150	45,657	13,989	32,015	28,152	49	130,012
Depreciation and amortisation ⁽³⁾	(929)	(11,982)	(7,859)	(5,394)	(10,018)	(816)	(36,998)
Divisional EBIT⁽⁴⁾	9,221	33,675	6,130	26,621	18,134	(767)	93,014
Pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, onerous lease costs, health club brands and customer relationship intangible asset amortisation and impairment of property, plant and equipment and intangible assets not included in divisional EBIT							(32,122)
Valuation loss - investment properties							(501)
Loss on closure of bowling centre							(104)
Loss on disposal of assets							(523)
Gain on sale and leaseback of family entertainment centre							6,959
Net gain from derivative financial instruments							552
Interest income							121
Corporate costs							(15,056)
Business acquisition costs							(1,938)
Borrowing costs							(11,333)
Net tax expense							(6,947)
Profit for the year							32,122
Total assets	109,862	217,949	140,870	264,552	250,427	12,847	996,507
Acquisitions of property, plant and equipment, investment properties and intangible assets	4,860	88,767	21,530	7,793	59,695	2,158	184,803

(1) Excludes pre-opening expenses of \$6,521,000.

(2) Excludes pre-opening expenses of \$6,521,000, straight lining of fixed rent increases of \$2,336,000 and onerous lease costs of \$2,598,000.

(3) Excludes IFRS depreciation of \$11,102,000, amortisation of health club brands and customer relationship intangible assets totalling \$6,778,000 and impairment of property, plant and equipment and intangible assets of \$2,787,000.

(4) Excludes of pre-opening expenses of \$6,521,000, straight lining of fixed rent increases of \$2,336,000, onerous lease costs of \$2,598,000, IFRS depreciation of \$11,102,000, amortisation of health club brands and customer relationship intangible assets of \$6,778,000 and impairment of property, plant and equipment and intangible assets of \$2,787,000.

Notes to the Financial Statements for the year ended 30 June 2016

37. Segment information (continued)

Business segment 2016
ALL Group

	Discontinued operation	Continuing operations					Total	
		Marinas \$'000	Family entertainment centres	Bowling centres	Theme parks	Health clubs		Other \$'000
			\$'000	\$'000	\$'000	\$'000		
Revenue from operating activities	23,000	238,974	130,494	107,582	187,555	9	687,614	
Divisional EBITDA before rent to Trust ⁽¹⁾	12,569	59,168	45,271	35,947	64,531	-	217,486	
Divisional EBITDA after rent to Trust ⁽¹⁾	1,077	59,168	7,329	2,839	23,393	-	93,806	
Depreciation and amortisation ⁽²⁾	(163)	(17,827)	(3,015)	(1,647)	(12,620)	(1,153)	(36,425)	
Divisional EBIT⁽³⁾	914	41,341	4,314	1,192	10,773	(1,153)	57,381	
Pre-opening expenses, straight lining of fixed rent increases, decrease in onerous lease provisions, health club brands and customer relationship intangible asset amortisation and impairment of property, plant and equipment not included in divisional EBIT							(13,063)	
Loss on disposal of assets							(140)	
Gain on sale and leaseback of family entertainment centres							1,672	
Interest income							68	
Foreign exchange gain							116	
Corporate costs							(13,516)	
Business acquisition costs refunded							134	
Borrowing costs							(13,337)	
Net tax expense							(8,674)	
Profit for the year							10,641	
Total assets	2,972	357,907	47,735	21,679	206,187	12,844	649,324	
Acquisitions of property, plant and equipment, investment properties and intangible assets	706	106,022	12,256	2,789	14,189	592	136,554	

(1) Excludes pre-opening expenses of \$8,455,000, straight lining of fixed rent of \$1,149,000 and decrease in onerous lease provisions of \$1,190,000.

(2) Excludes amortisation of health club brands and customer relationship intangible assets of \$4,490,000 and impairment of property, plant and equipment of \$159,000.

(3) Excludes pre-opening expenses of \$8,455,000, straight lining of fixed rent of \$1,149,000, decrease in onerous lease provisions of \$1,190,000, amortisation of health club brands and customer relationship intangible assets of \$4,490,000 and impairment of property, plant and equipment of \$159,000.

Notes to the Financial Statements

For the year ended 30 June 2016

37. Segment information (continued)

Business segment 2015

ALL Group

	Marinas \$'000	Family entertainment centres \$'000	Bowling centres \$'000	Theme parks \$'000	Health clubs \$'000	Other \$'000	Total \$'000
Revenue from operating activities	22,952	177,123	116,510	99,571	178,388	59	594,603
Divisional EBITDA before rent to Trust ⁽¹⁾	12,765	45,657	40,279	33,163	60,186	49	192,099
Divisional EBITDA after rent to Trust ⁽¹⁾	1,107	45,657	6,261	2,621	21,317	49	77,012
Depreciation and amortisation ⁽²⁾	(75)	(11,982)	(1,054)	(1,113)	(9,959)	(814)	(24,997)
Divisional EBIT⁽³⁾	1,032	33,675	5,207	1,508	11,358	(765)	52,015
Pre-opening expenses, straight lining of fixed rent increases, onerous lease costs, health club brands and customer relationship intangible asset amortisation and impairment of property, plant and equipment and intangible assets not included in divisional EBIT							(17,220)
Loss on disposal of assets							(376)
Gain on sale and leaseback of family entertainment centre							6,959
Interest income							77
Foreign exchange gain							312
Corporate costs							(14,079)
Business acquisition costs							(1,938)
Borrowing costs							(11,731)
Net tax expense							(7,157)
Profit for the year							6,862
Total assets	3,429	217,842	39,383	16,963	207,054	14,394	499,065
Acquisitions of property, plant and equipment, investment properties and intangible assets	883	88,767	6,898	5,195	49,657	2,158	153,558

(1) Excludes pre-opening expenses of \$6,521,000, straight lining of fixed rent of \$1,306,000 and onerous lease costs of \$1,465,000.

(2) Excludes amortisation of health club brands and customer relationship intangible assets of \$6,778,000 and impairment of property, plant and equipment and intangible assets of \$1,150,000.

(3) Excludes pre-opening expenses of \$6,521,000, straight lining of fixed rent of \$1,306,000, onerous lease costs of \$1,465,000, amortisation of health club brands and customer relationship intangible assets of \$6,778,000 and impairment of property, plant and equipment and intangible assets of \$1,150,000.

Notes to the Financial Statements for the year ended 30 June 2016

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 while 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% to 35% of debt to debt plus equity. At 30 June 2016, gearing was 33.04% (2015: 32.6%) 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% to 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 2016

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% to 100% of overseas investments in this way.

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

Consolidated Group	Australian dollars		New Zealand dollars		US dollars	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	3,285	3,010	1,031	324	4,754	1,652
Receivables and other current assets	29,524	29,676	238	353	7,714	4,675
Derivative financial instruments	244	377	-	-	-	-
Assets classified as held for sale	112,940	-	-	-	-	-
Construction in progress inventories	-	-	-	-	61,796	-
Investment properties	-	99,326	-	-	-	-
Property, plant and equipment	453,544	449,199	2,018	2,003	228,197	158,480
Intangible assets	187,961	186,732	3,689	3,426	54,479	52,786
Other non-current assets	6,558	4,862	19	16	(359)	(390)
Total assets	794,056	773,182	6,995	6,122	356,581	217,203
Liabilities						
Payables and other current liabilities	70,152	73,108	658	793	41,674	24,643
Construction in progress deposits	-	-	-	-	55,494	-
Derivative financial instruments	2,652	2,038	-	-	1,487	193
Liabilities directly associated with assets classified as held for sale	4,104	-	-	-	-	-
Interest bearing liabilities	141,449	143,746	-	-	171,454	134,872
Other non-current liabilities	13,638	14,731	-	-	34,887	22,901
Total liabilities	231,995	233,623	658	793	304,996	182,609
Net assets	562,061	539,559	6,337	5,329	51,585	34,594
Notional value of derivatives	-	-	-	-	774	2,441
Net exposure to foreign exchange movements	562,061	539,559	6,337	5,329	52,359	37,035

Notes to the Financial Statements for the year ended 30 June 2016

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Foreign investment (continued)

ALL Group	Australian dollars		New Zealand dollars		US dollars	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets						
Cash and cash equivalents	3,167	2,866	566	275	4,658	1,544
Receivables and other current assets	29,188	28,834	172	152	7,587	4,362
Assets classified as held for sale	2,782	-	-	-	-	-
Construction in progress inventories	-	-	-	-	61,796	-
Property, plant and equipment	58,851	55,120	13	-	228,197	158,480
Intangible assets	187,961	186,732	3,689	3,426	54,479	52,786
Other non-current assets	6,558	4,862	19	16	(359)	(390)
Total assets	288,507	278,414	4,459	3,869	356,358	216,782
Liabilities						
Payables and other current liabilities	57,815	58,464	317	426	41,644	24,618
Construction in progress deposits	-	-	-	-	55,494	-
Derivative financial instruments	-	-	-	-	1,415	129
Liabilities directly associated with assets classified as held for sale	3,716	-	-	-	-	-
Interest bearing liabilities	128,569	125,613	-	-	147,519	111,393
Other non-current liabilities	3,065	4,514	-	-	34,887	22,901
Total liabilities	193,165	188,591	317	426	280,959	159,041
Net assets	95,342	89,823	4,142	3,443	75,399	57,741
Net exposure to foreign exchange movements	95,342	89,823	4,142	3,443	75,399	57,741

Foreign exchange rate sensitivity

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

Consolidated Group	Profit movement		Core earnings movement		Total equity movement	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
AUD:USD - increase 10%	(4,760)	(3,367)	-	-	(4,760)	(3,367)
AUD:USD - decrease 10%	5,818	4,115	-	-	5,818	4,115
AUD:NZD - increase 10%	(576)	(484)	-	-	(576)	(484)
AUD:NZD - decrease 10%	704	593	-	-	704	593

ALL Group	Profit movement		Total equity movement	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
AUD:USD - increase 10%	(6,854)	(5,249)	(6,854)	(5,249)
AUD:USD - decrease 10%	8,378	6,416	8,378	6,416
AUD:NZD - increase 10%	(378)	(312)	(378)	(312)
AUD:NZD - decrease 10%	459	384	459	384

Notes to the Financial Statements

for the year ended 30 June 2016

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.

Consolidated Group	Australian interest rates		US interest rates	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fixed rates				
Interest bearing liabilities	-	-	-	-
Floating rates				
Cash and cash equivalents	4,316	3,334	4,754	1,652
Interest bearing liabilities	(142,433)	(144,400)	(172,511)	(135,361)
	(138,117)	(141,066)	(167,757)	(133,709)
Interest rate swaps	80,000	70,000	127,929	61,198
Net interest rate exposure	(58,117)	(71,066)	(39,828)	(72,511)

Refer to Note 14 for further details on the interest rate swaps.

Notes to the Financial Statements for the year ended 30 June 2016

38. Capital and financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

ALL Group	Australian interest rates		US interest rates	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Fixed rates				
Interest bearing liabilities	-	-	-	-
Floating rates				
Cash and cash equivalents	3,733	3,141	4,658	1,544
Interest bearing liabilities	(128,569)	(125,613)	(148,521)	(111,835)
	(124,836)	(122,472)	(143,863)	(110,291)
Interest rate swaps	-	-	105,036	39,063
Net interest rate exposure	(124,836)	(122,472)	(38,827)	(71,228)

Interest rate sensitivity

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

Consolidated Group	Profit movement		Core earnings movement		Total equity movement	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1% increase in AUD rate	(573)	(698)	(581)	(711)	1,711	1,296
1% decrease in AUD rate	573	698	581	711	(1,711)	(1,296)
1% increase in USD rate	(408)	(745)	(398)	(725)	2,234	429
1% decrease in USD rate	408	745	398	725	(2,234)	(429)

ALL Group	Profit movement		Total equity movement	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
1% increase in AUD rate	(1,248)	(1,225)	(1,248)	(1,225)
1% decrease in AUD rate	1,248	1,225	1,248	1,225
1% increase in USD rate	(388)	(712)	2,040	36
1% decrease in USD rate	388	712	(2,040)	(36)

At reporting date, the Group has fixed 66.0% (2015: 46.9%) of its floating interest exposure.

Notes to the Financial Statements

for the year ended 30 June 2016

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 2016. 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 2016	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	106,407	106,407	-	-	-	-	-	106,407
Term debt	314,944	8,510	8,510	193,390	115,392	-	-	325,802
Interest rate swaps designated as hedges of the term debt	4,026	2,077	1,657	1,205	-	-	-	4,939
Forward foreign exchange contracts	(131)	644	-	-	-	-	-	644
Total undiscounted financial liabilities	425,246	117,638	10,167	194,595	115,392	-	-	437,792

Consolidated Group 2015	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	91,323	91,323	-	-	-	-	-	91,323
Term debt	279,761	7,826	196,279	85,936	-	-	-	290,041
Interest rate swaps designated as hedges of the term debt	2,231	1,440	1,472	769	-	-	-	3,681
Forward foreign exchange contracts	(377)	1,433	644	-	-	-	-	2,077
Total undiscounted financial liabilities	372,938	102,022	198,395	86,705	-	-	-	387,122

ALL Group 2016	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	93,699	93,699	-	-	-	-	-	93,699
Term debt	148,869	2,913	2,913	99,946	50,227	-	-	155,999
Loan from the Trust	128,221	5,505	5,505	128,839	-	-	-	139,849
Interest rate swaps designated as hedges of the term debt	1,415	775	681	640	-	-	-	2,096
Total undiscounted financial liabilities	372,204	102,892	9,099	229,425	50,227	-	-	391,643

ALL Group 2015	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	76,287	76,287	-	-	-	-	-	76,287
Term debt	110,547	1,762	69,650	41,536	-	-	-	112,948
Loan from the Trust	126,901	5,824	132,725	-	-	-	-	138,549
Interest rate swaps designated as hedges of the term debt	129	318	298	-	-	-	-	616
Total undiscounted financial liabilities	313,864	84,191	202,673	41,536	-	-	-	328,400

Notes to the Financial Statements for the year ended 30 June 2016

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 will cause the Group to make a financial loss. The Group has exposure to credit risk on all of its financial assets included in the Group's Balance Sheet.

The Group manages credit risk on receivables by performing credit reviews of prospective debtors, obtaining collateral where appropriate and performing detailed reviews on any debtor arrears. The Group has policies to review the aggregate exposures of receivables 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 policy set out in Note 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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Cash and cash equivalents	9,070	4,986	8,391	4,685
Receivables - Australasia	11,537	9,539	11,537	11,893
Receivables - US	1,749	1,317	1,749	1,317
Derivative financial instruments	244	377	-	-
	22,600	16,219	21,677	17,895

Notes to the Financial Statements for the year ended 30 June 2016

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:

	Less than 30 days \$'000	Past due but not impaired 31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Impaired \$'000	Total \$'000
Consolidated Group						
2016						
Receivables - Australasia	1,228	204	264	638	831	3,165
Receivables - US	98	55	48	9	-	210
	1,326	259	312	647	831	3,375
Consolidated Group						
2015						
Receivables - Australasia	555	262	97	222	679	1,815
Receivables - US	115	31	7	23	-	176
	670	293	104	245	679	1,991
ALL Group						
2016						
Receivables - Australasia	1,228	204	264	638	831	3,165
Receivables - US	98	55	48	9	-	210
	1,326	259	312	647	831	3,375
ALL Group						
2015						
Receivables - Australasia	555	262	97	222	679	1,815
Receivables - US	115	31	7	23	-	176
	670	293	104	245	679	1,991

Based on a review of receivables by management, a provision of \$515,000 (2015: \$459,000) has been made against receivables with a gross balance of \$831,000 (2015: \$679,000).

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 2016

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 instruments;
- 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 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value:				
Property, plant and equipment ⁽¹⁾	-	-	413,266	413,266
Assets classified as held for sale	-	-	109,459	109,459
Derivative financial instruments	-	244	-	244
Liabilities measured at fair value:				
Derivative financial instruments	-	4,139	-	4,139
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 39(c))	-	314,944	-	314,944
<hr/>				
2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets measured at fair value:				
Investment properties	-	-	99,326	99,326
Property, plant and equipment ⁽¹⁾	-	-	395,779	395,779
Derivative financial instruments	-	377	-	377
Liabilities measured at fair value:				
Derivative financial instruments	-	2,231	-	2,231
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 39(c))	-	279,761	-	279,761

⁽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 2016 and 30 June 2015, refer to Notes 16, 19 and 20.

Notes to the Financial Statements

for the year ended 30 June 2016

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	Level 1	Level 2	Level 3	Total
2016	\$'000	\$'000	\$'000	\$'000
Assets measured at fair value:				
Property, plant and equipment ⁽¹⁾	-	-	88,962	88,962
Liabilities measured at fair value:				
Derivative financial instruments	-	1,415	-	1,415
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 39(c))	-	277,090	-	277,090
<hr/>				
2015	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets measured at fair value:				
Property, plant and equipment ⁽¹⁾	-	-	86,833	86,833
Liabilities measured at fair value:				
Derivative financial instruments	-	129	-	129
Liabilities for which fair values are disclosed:				
Interest bearing liabilities (refer to Note 39(c))	-	237,448	-	237,448

⁽¹⁾ Land and buildings.

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 2016 and 30 June 2015, refer to Note 20.

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 2016.

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

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. 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 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 2016

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 and property, plant and equipment is determined in line with the policy set out in Notes 1(f) and 1(g), 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 periods ended 30 June 2016 and 2015 refer to Notes 16, 19 and 20.

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	7.3 – 10.8	8.5 - 11.7	358 – 2,396

The fair value of land and buildings and major rides and attractions is 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	9.5	13.5	31,652
SkyPoint	12.8	15.5	4,611

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

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. Differences were identified for the following instruments at 30 June 2016:

	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Discount rate 2016 %	Carrying amount 2015 \$'000	Fair value 2015 \$'000	Discount rate 2015 %
Consolidated Group						
Interest bearing liabilities	314,944	314,345	2.82	279,761	279,796	2.80
ALL Group						
Interest bearing liabilities	277,090	277,754	2.82	237,448	240,010	2.80

In determining the fair value of the interest bearing liabilities, the Group's principal payable of \$314.9 million (2015: \$279.8 million) has been discounted at a rate of 2.82% (2015: 2.80%) 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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Property, plant and equipment Payable:				
Within one year	770	3,331	770	3,331
	770	3,331	770	3,331

Notes to the Financial Statements for the year ended 30 June 2016

41. Capital and lease commitments (continued)

(b) Lease commitments

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Within one year	92,203	83,368	41,493	33,798
Later than one year but not later than five years	298,377	272,461	150,020	124,577
Later than five years	287,901	259,110	231,981	188,130
	678,481	614,939	423,494	346,505
Representing:				
Cancellable operating leases	-	415	-	415
Non-cancellable operating leases	678,481	614,524	423,494	346,090
Finance leases	-	-	-	-
	678,481	614,939	423,494	346,505

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, marina, 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 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Within one year	92,203	82,956	41,493	33,386
Later than one year but not later than five years	298,377	272,457	150,020	124,573
Later than five years	287,901	259,111	231,981	188,131
	678,481	614,524	423,494	346,090

Notes to the Financial Statements for the year ended 30 June 2016

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 25 November 2014, Hypoxi North America Pty Limited 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, Hypoxi Australia Pty Ltd and Hypoxi North America Pty Limited 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 2016 of the Closed Group:

	2016 \$'000	2015 \$'000
Revenue from operating activities	423,346	392,790
Purchases of finished goods	(31,607)	(28,949)
Salary and employee benefits	(171,028)	(161,554)
Borrowing costs	(5,803)	(8,356)
Property expenses	(124,046)	(117,746)
Depreciation and amortisation	(22,729)	(18,881)
Advertising and promotions	(15,114)	(15,034)
Repairs and maintenance	(20,528)	(17,967)
Impairment of property, plant and equipment	(158)	(1,822)
Other expenses	(38,878)	(36,830)
Pre-opening expenses	(641)	(916)
Business acquisition costs	(64)	(1,938)
Loss before tax benefit	(7,250)	(17,203)
Income tax benefit	2,236	4,319
Loss from continuing operations	(5,014)	(12,884)
Profit from discontinued operation	625	718
Loss for the year	(4,389)	(12,166)

(b) Consolidated Statement of Comprehensive Income

Set out below is a consolidated Statement of Comprehensive Income for the year ended 30 June 2016 of the Closed Group:

	2016 \$'000	2015 \$'000
Loss for the year	(4,389)	(12,166)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(4,389)	(12,166)

Notes to the Financial Statements for the year ended 30 June 2016

42. Deed of Cross Guarantee (continued)

(c) Consolidated Balance Sheet

Set out below is a consolidated Balance Sheet as at 30 June 2016 of the Closed Group:

	2016 \$'000	2015 \$'000
Current assets		
Cash and cash equivalents	3,151	2,844
Receivables	11,138	11,219
Inventories	9,248	8,766
Current tax receivables	996	8,279
Assets classified as held for sale	2,782	-
Other	9,526	2,084
Total current assets	36,841	33,192
Non-current assets		
Property, plant and equipment	61,545	55,168
Livestock	221	245
Intangible assets	167,631	169,149
Deferred tax assets	6,122	4,298
Investment in controlled entities	49,730	49,804
Total non-current assets	285,249	278,664
Total assets	322,090	311,856
Current liabilities		
Payables	50,197	52,651
Provisions	4,029	3,237
Liabilities directly associated with assets classified as held for sale	3,716	-
Other	215	1,222
Total current liabilities	58,157	57,110
Non-current liabilities		
Payables	130,423	127,231
Provisions	3,064	4,514
Total non-current liabilities	133,487	131,745
Total liabilities	191,644	188,855
Net assets	130,446	123,001
Equity		
Contributed equity	167,100	155,262
Reserves	(4)	-
Accumulated losses	(36,650)	(32,261)
Total equity	130,446	123,001

Notes to the Financial Statements for the year ended 30 June 2016

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 2016 of the Closed Group:

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Total equity at 30 June 2014	16,309	(2,310)	(4,625)	9,374
Total comprehensive income for the year	-	-	(12,166)	(12,166)
Reserve transfers	-	2,310	(2,310)	-
Dividends paid and payable	-	-	(13,160)	(13,160)
Contributions of equity, net of issue costs	138,953	-	-	138,953
Total equity at 30 June 2015	155,262	-	(32,261)	123,001
Total comprehensive income for the year	-	-	(4,389)	(4,389)
Reserves	-	(4)	-	(4)
Contributions of equity, net of issue costs	11,838	-	-	11,838
Total equity at 30 June 2016	167,100	(4)	(36,650)	130,446

43. Parent entity financial information

(a) Summary financial information

	Consolidated Group 2016 \$'000	Consolidated Group 2015 \$'000	ALL Group 2016 \$'000	ALL Group 2015 \$'000
Balance Sheet				
Current assets	118,811	10,447	18,206	15,152
Total assets	617,113	606,122	249,978	223,167
Current liabilities	15,728	21,117	21,391	27,360
Total liabilities	187,690	195,965	91,542	67,538
Equity				
Contributed equity	482,620	449,919	167,100	155,262
Reserves	(2,545)	(4,921)	-	-
(Accumulated losses)/retained profits	(50,652)	(34,841)	(8,664)	367
Total Equity	429,423	410,157	158,436	155,629
Profit/(loss) for the year	42,826	34,507	(9,031)	12,487
Total comprehensive income/(loss) for the year	42,269	33,624	(9,031)	12,487

(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 2016

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 2016 or 30 June 2015.

(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	Consolidated Group	ALL Group	ALL Group
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment Payable:				
Within one year	-	-	104	2,943
	-	-	104	2,943

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 \$104,000 (2015: \$2,943,000). 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 30 June 2016, a distribution of 5.5 cents per stapled security has been declared by the Board of Directors. The total distribution amount of \$25.5 million will be paid on or before 31 August 2016 in respect of the half year ended 30 June 2016.

On 19 August 2016, the Group announced that it had entered into a sale agreement to dispose of its entire interests in the health clubs division for gross proceeds (excluding working capital adjustments and selling costs) of \$260.0 million, comprising a cash payment of \$230.0 million and deferred consideration of \$30.0 million in the form of vendor loan notes payable no later than two years from completion. Completion is subject to landlord and other third party approvals and is expected to occur prior to 31 December 2016. The financial information relating to the health clubs division is set out in Note 37. The Group expects to recognise a profit on disposal.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matters or circumstances not otherwise dealt with in financial report or the Directors' report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2015.

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 39 to 117 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 2016 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 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
Chairman



Deborah Thomas
Managing Director

Sydney
23 August 2016

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 2016, 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 year's end or from time to time during the financial year.
- The balance sheet as at 30 June 2016, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Ardent Leisure Limited and 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 consolidated 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.

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:

1. the financial report of Ardent Leisure Group and Ardent Leisure Limited Group is in accordance with the *Corporations Act 2001*, including:
 2. giving a true and fair view of the consolidated stapled entity's and consolidated ALL Group entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 3. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
4. the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 33 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Ardent Leisure Group and Ardent Leisure Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers



Timothy J Allman
Partner

Brisbane
23 August 2016

For personal use only

Investor Analysis

Top 20 Investors as at 23 August 2016

		No. of Securities	%
1	JP Morgan Nominees Australia Limited	90,865,234	19.62
2	HSBC Custody Nominees (Australia) Limited	71,327,391	15.40
3	National Nominees Limited	57,380,479	12.39
4	Citicorp Nominees Pty Limited	32,796,541	7.08
5	RBC Investor Services Australia Pty Limited <VFA A/C>	17,962,783	3.88
6	BNP Paribas Noms Pty Ltd <DRP>	9,218,443	1.99
7	BNP Paribas Nominees Pty Ltd <AGENCY LENDING DRP A/C>	5,079,208	1.10
8	Ragusa Pty Ltd <FAMDAL SUPER FUND P1 A/C>	4,736,716	1.02
9	Citicorp Nominees Pty Limited <COLONIAL FIRST STATE INV A/C>	4,034,177	0.87
10	Ragusa Pty Ltd <FAMDAL SUPER FUND P3 A/C>	3,669,855	0.79
11	Sandhurst Trustees Ltd <DMP ASSET MANAGEMENT A/C>	2,964,237	0.64
12	Warbont Nominees Pty Ltd <UNPAID ENTREPOT A/C>	2,083,395	0.45
13	Balnaves Foundation Pty Ltd <BALNAVES FOUNDATION A/C>	2,066,243	0.45
14	RBC Investor Services Australia Nominees Pty Limited <PISELECT>	2,065,192	0.45
15	Mirrabooka Investments Limited	1,800,000	0.39
16	AMCIL Limited	1,725,000	0.37
17	Ragusa Pty Ltd <FAMDAL SUPER FUND P2 A/C>	1,242,383	0.27
18	Ragusa Pty Ltd <FAMDAL SUPER FUND P3 A/C>	1,125,101	0.24
19	HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	1,095,908	0.24
20	Sevanlab Super Pty Ltd <SEVANLAB NOMINEES SUPER A/C>	935,267	0.20
Total		314,173,553	67.85
Balance of Register		148,866,063	32.15
Grand Total		463,039,616	100.00

Range Report as at 23 August 2016

	No. of Securities	%	No of Holders	%
100,001 and Over	345,772,321	74.67	163	1.24
10,001 to 100,000	84,189,991	18.18	3,332	25.44
5,001 to 10,000	18,391,949	3.97	2,410	18.40
1,001 to 5,000	13,508,266	2.92	4,597	35.10
1 to 1,000	1,177,089	0.25	2,594	19.81
Total	463,039,616	100.00	13,096	100.00

The total number of investors with an unmarketable parcel of 29,145 securities as at 23 August 2016 was 796.

Voting Rights

On a poll, each investor has, in relation to resolutions of the Trust, one vote for each dollar value of their total units held in the Trust and in relation to resolutions of the Company, one vote for each share held in the Company.

On-Market Buy-back

There is no current on-market buy-back program in place.

Substantial Shareholder Notices Received as at 23 August 2016

	No. of Securities	%
JCP Investment Partners Ltd	34,248,959	7.40%
FIL Ltd	40,478,296	9.15%
Ausbil Investment Management Limited	37,280,709	8.05%
BT Investment Management Limited	22,815,453	5.63%

Stapling Disclosure

The ASX reserves the right (but without limiting its absolute discretion) to remove the Company or the Trust or both from the official list if any of the shares and the units cease to be "stapled" together or any equity securities issued by the Company or Trust which are not stapled to equivalent securities in the other entity.

Investor Relations

Corporate Governance Statement

In accordance with the ASX Listing Rules, the Group's Corporate Governance Statement dated 30 June 2016 is published and located in the Corporate Governance page of the Group's website

(<http://www.ardentleisure.com.au/Company/Corporate-Governance.aspx>). A copy has also been provided to the ASX.

Investor benefits program

The investor benefits program aims to provide investors with an opportunity to experience and enjoy Ardent Leisure assets. Investors with a minimum of 2,000 stapled securities are entitled to discounts and incentives to allow investors and their families to engage with and enjoy the various leisure activities offered by the Group. For more details on the current benefits offered under the program and how to participate, please visit the Investor Centre page at www.ardentleisure.com. Note that the investor benefits offerings are subject to change and the program terms and conditions.

The investor benefits program does not have a material impact on the income of the Group.

Distribution payments and annual taxation statement

Distributions are currently payable twice a year and received by investors approximately seven to eight weeks after each half year end. To view your 2015/16 annual taxation statement online, please visit the Link Investor Service Centre at www.linkmarketservices.com.au

Distribution Reinvestment Plan (DRP)

The DRP price for the half year ended 30 June 2016 was \$1.9292 per stapled security. Please note that the terms and conditions of the DRP may vary from time to time. Details of any changes (and whether the DRP continues to operate or is suspended) will be announced to the ASX.

Contact details

Security registry

To access information on your holding or to update/change your details, contact:

Link Market Services Limited

Locked Bag A14
Sydney South NSW 1235

Telephone

1300 720 560 (within Australia)
+61 1300 720 560 (outside Australia)

Facsimile

+61 2 9287 0303

Website

www.linkmarketservices.com.au

Email

registrars@linkmarketservices.com.au

All other enquiries relating to your Ardent Leisure Group investment or complaints can be directed to:

Ardent Leisure Group

Level 16, 61 Lavender Street
Milsons Point NSW 2061

Telephone

1800 ARDENT (within Australia)
+61 2 9409 3670 (outside Australia)

Facsimile

+61 2 9409 3679

Email

investor.relations@ardentleisure.com

External dispute resolution

In the event that a complaint cannot be resolved within a reasonable period of time (usually 45 days) or you are not satisfied with our response, you can seek assistance from Financial Ombudsman Service Limited (FOS). FOS provides a free and independent dispute resolution service to our investors. FOS's contact details are below:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001

Email

info@fos.org.au

Telephone

1800 367 287 (within Australia)

Facsimile

+61 3 9613 6399

Corporate Directory

Manager

Ardent Leisure Management Limited
ABN 36 079 630 676
AFSL No. 247010

Company

Ardent Leisure Limited
ABN 22 104 529 106

Registered office
Level 16, 61 Lavender Street
Milsons Point NSW 2061

Directors

Neil Balnaves AO (Chairman)
Roger Davis
David Haslingden
Don Morris AO
Deborah Thomas
George Venardos
Melanie Willis

Managing Director and Chief Executive Officer

Deborah Thomas

Chief Financial Officer

Richard Johnson

Company Secretary

Alan Shedden

Telephone

1800 ARDENT (within Australia)
+61 2 9409 3670 (outside Australia)

Facsimile

(02) 9409 3679 (within Australia)
+61 2 9409 3679 (outside Australia)

Email

investor.relations@ardentleisure.com

Website

www.ardentleisure.com

ASX code

AAD

Custodian

Perpetual

Level 13, 123 Pitt Street
Sydney NSW 2000

Auditor of the Group

PricewaterhouseCoopers

Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Ardent Leisure Group (ASX: AAD)

ABN / ARBN:

Ardent Leisure Trust (ARSN 093 193 438)
Ardent Leisure Limited (ABN 22 104 529 106)

Financial year ended:

30 June 2016

Our corporate governance statement² for the above period above can be found at:³

- These pages of our annual report:
- This URL on our website: <https://www.ardentleisure.com/about-us/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 30 June 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 28/09/2016



Name of Director or Secretary authorising
lodgement:

Robert Alan Shedden

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ if you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE		
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>(If the entity complies with paragraph (a):)</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016</p> <p>(If the entity complies with paragraph (b):)</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the length of service of each director:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to the Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
<p>3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>... our code of conduct or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>(If the entity complies with paragraph (a):)</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016</p> <p>(If the entity complies with paragraph (b):)</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p>
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
<p>5.1 A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS		
<p>6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p>
<p>6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a): ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to Directors' Report in the Annual Financial Report for the year ended 30 June 2016</p> <p>[If the entity complies with paragraph (b): ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</p>		
<p>8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.ardentleisure.com/about-us/corporate-governance/... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to the Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation therefore not applicable</p>
<p>8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> at Refer to the Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES		
<p>- <i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>- <i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



Corporate Governance Statement

This statement has been approved by the Boards of Directors of Ardent Leisure Management Limited and Ardent Leisure Limited and prepared as at 30 June 2016.

Principle 1 – Lay solid foundations for management and oversight

Board Charter

The Directors of the Group have adopted a Board Charter that sets out the respective roles and responsibilities of the Board and senior management. The primary role of the Board is to promote the long term health and prosperity of the Group and to build sustainable value for investors.

Specifically, the Board is responsible for:

- Setting objectives, goals and strategic direction;
- Approving and monitoring progress of major capital expenditure, capital management, acquisitions and divestments;
- Monitoring financial performance and reporting;
- Oversight and approval of accounting, risk management and compliance control systems;
- Monitoring the performance of management;
- Appointing and removing the Chief Executive Officer (and other Key Management Personnel as decided from time to time);
- Approving the remuneration framework for Directors and the Group's Key Management Personnel;
- Monitoring compliance with legal obligations and ethical and responsible behaviour; and
- Ensuring effective communications with investors and other stakeholders.

The Board Charter also sets out the responsibilities of the Chair and a comprehensive list of matters that are reserved for the Board of Directors of both the Company and the Manager. In accordance with the list of matters reserved for the Board, the Board is responsible for:

- The strategic plan and annual operating and capital expenditure budgets;
- Treasury policies and risk management strategy;
- Establishment, acquisition, cessation or disposal of any division or business unit;
- Approval of financial statements and any significant changes to accounting policies;
- Approval of Dividend / distributions payments;
- Appointment and removal of auditors;
- Appointment and removal of any of the Chief Executive Officer, the Key Management Personnel or the Company Secretary;
- Committee charters and composition;
- Amendments to discretions delegated by the Board;
- Key policies including Workplace Health and Safety, Environmental and Sustainability policies;
- Changes to the Group's capital structure including the issue of shares, options, equity instruments or other securities;
- Key public statements which relate to significant issues concerning changes to key strategy or Group policy; and

- Terms and conditions of the appointment of Directors and the Chief Executive Officer, and employee equity plans and their allocation.

The Board Charter also sets out key delegations of authority in relation to equity investments, assets acquisition and disposal, external credit limits, bonds, guarantees and other contingent liabilities.

Directors' Information

Investors are provided with all material information which the Company has about the Director, in an explanatory memorandum to the Notice of Meeting, at which the Director will stand for election or re-election, to enable them to make an informed decision on whether or not to elect or re-elect the candidate. Such information includes their relevant qualifications and experience, details of any offices they currently hold and any other material former directorships they held, when the Director was first appointed and, if any, details of the roles they hold in any of the Board's standing committees.

Agreements with Directors and Key Management Personnel

Each Director enters into a number of agreements with the Company to provide them with a clear understanding of their roles and responsibilities and of the entity's expectations of them. These comprise:

- the Terms and Conditions of their appointment, the time commitment and any involvement with committee work and any other special duties expected of their position, their remuneration entitlements, the various corporate policies with which they are expected to comply, and the conditions of termination;
- a disclosure agreement which obligates them to disclose any relevant and material interests and any matters which may affect their independence; and
- a Deed of Access and Indemnity which sets out the indemnity and insurance arrangements, and ongoing rights of access to corporate information.

Each of the Key Management Personnel enters into a Service Agreement which sets out their position description, duties and responsibilities, reporting lines, remuneration entitlements, ongoing confidentiality, obligation to comply with all corporate policies, the circumstances in which their service may be terminated (with or without notice) and any entitlements on termination.

Details on the remuneration of Directors and Key Management Personnel are set out in the Directors' Report contained within the Annual Financial Report for the year ended 30 June 2016.

Company Secretary

In accordance with the Board Charter, the Company Secretary is appointed and if necessary removed by the Board and is therefore accountable directly to the board on all matters to do with the proper functioning of the Board. Each Director also has direct access to the Company Secretary.

The Company Secretary's role includes:

- advising the Board and its committees on governance matters;
- monitoring that board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and committee papers;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

Diversity Policy

On 16 December 2010, the Board adopted a Diversity Policy that aims to promote diversity across the Group through a number of initiatives.

Any attempt to change the current status quo is unlikely to drive short term results or change and it was proposed that the Group adopt a long term approach that focuses on increasing diversity at junior levels and addressing the various reasons that hinder female promotion and involvement at executive levels.

Following the release of new reporting guidelines under the Workplace Gender Equity Act 2012, the Group has adopted revised analytics and has segmented our leadership diversity reporting in line with reporting standards and industry best practice. The definition of Managers used in the table below includes Senior Executives, Senior Managers and Managers as recommended under the reporting guidelines.

	2015		2016	
	Female	Male	Female	Male
Board of Directors	20%	80%	28%	72%
All Managers	43%	57%	36%	64%
All Employees	68%	32%	67%	33%

The table above shows the female participation rates across the Group for the past two years.

The Group supports a number of initiatives aimed at increasing female participation and has adopted policies on flexible working arrangements and paid maternity leave.

Gender Pay Comparison

Following the provision of data to the Workplace Gender Equality Agency and the release of the Australian National Gender Pay Gap, the Group received a report that benchmarks it against other relevant industry data. The statistics indicate that the Group, across all levels of business, has a gender pay gap of 1.1% on base salary. The gender pay gap across comparable industries is 12.9% and the national average is 17.9%

Director, Board and Committee Evaluation

The Board Charter requires that each Director will participate in an annual performance evaluation which will be reviewed by the Chair. The process for conducting Board and Director evaluations is similar to that adopted for the review of the Chief Executive Officer and is conducted in a confidential manner by the Chair of the Board. The evaluations include areas such as role of the Board, composition, meeting conduct, behaviours and competencies, governance and risk, ethics and stakeholder relations.

Each committee charter adopted by the Board includes a requirement for an annual self-assessment by the committee of its performance and charter. These evaluations are conducted against the existing charter and prevailing developments in the corporate governance arena.

Key Management Personnel Performance Evaluation

In accordance with the Board Charter the Directors have undertaken to formally evaluate the performance of the Chief Executive Officer and other Key Management Personnel on an annual basis. The purpose of the evaluation of the Chief Executive Officer and other Key Management Personnel is to provide the following key benefits:

- Assist the Board in meeting its duty to stakeholders in effectively leading the Group;

- Ensure the continued development of the Chief Executive Officer and other Key Management Personnel to more effectively conduct their role;
- Ensures a formal and documented evaluation process; and
- Leaves a record of the Board's impression of the performance of the Chief Executive Officer and other Key Management Personnel.

The process adopted by the Board to assess the performance of the Chief Executive Officer and other Key Management Personnel is as follows:

- Each Board member is requested to complete an evaluation table and provide numerical ranking against the criteria for the Chief Executive Officer's and other Key Management Personnel's performance during the evaluation period;
- Participants are encouraged to provide commentary;
- The evaluation tables are then provided directly to the Chair of the Board and upon review the Chair may decide to provide an average ranking for each category; and
- Once final rankings are collated the Chair of the Board sits to discuss the findings with the Chief Executive Officer and agrees any specific action points to be addressed.

Principle 2 – Structure the board to add value

Nomination Committee

The Directors have established a combined Remuneration and Nomination Committee due to the relatively infrequent need to call upon the services of the previous Nomination Committee. The charter for the combined Remuneration & Nomination Committee remains broadly similar and includes the review process for the Board and its committees and also the time commitment for non-executive directors.

The combined Remuneration and Nomination Committee consists of a minimum of three members with the majority of members required to be independent directors. The Remuneration and Nomination Committee is specifically responsible for making recommendations to the Board in relation to the identification, assessment and enhancement of the competencies of Board members, Board and management succession plans including the appointment of suitably qualified candidates to the Board and the appointment of the Chief Executive Officer, the development of a process for the review of the performance of the Board, Board Committees and individual directors and the assessment of the time required to fulfil the obligations of a non-executive director and whether directors are able to meet these expectations.

Selection Process

In order to provide a formal and transparent procedure whereby new appointments to the Board are selected the Remuneration and Nomination Committee has adopted a director selection process to be used once the Board has decided to appoint or replace a Director.

Process

- Identify the vacant position.
- Identify the core competencies of the position.
- Identify a preferred candidate background (taking into account the diversity of the Board).
- Appoint a search firm if necessary to ensure an appropriate selection of candidates.
- If a search firm is appointed, draft and deliver a brief to the search firm explaining the following:
 - Vacant Position;
 - Competencies Required;

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- Preferred Background;
- Essential Qualifications (if any); and
- Countries in which to extend the search.
- Candidates are to be interviewed and a shortlist prepared.
- Select preferred candidates from the shortlist provided in consultation with executive management.
- Agree a preferred candidate for recommendation to the Board of Directors.

Board Skills and Competencies

In conjunction with an independent advisor the Board has undertaken a review of core competencies that should be present across the Board of Directors. Board members should have a working knowledge of finance and accounting, corporate regulation and business strategic theory. The Board aims to gather a breadth of different experience on the Board.

The Directors believe that diversity is critical to the effective functioning of the Board. To this end the Board strives to ensure that Directors should not all be from one occupational group or even from the same industrial sector the Group operates in.

The Board has undertaken a review of the key skills and competencies of the Board to ensure appropriate oversight of the Group's current operations and strategy for future growth.

The Board comprises a broad and diverse range of skills and understanding gained by Directors from their decades of experience in the general commercial, leisure and entertainment sectors. This expertise is supported by appropriate accounting, banking & finance, property and advertising skills.

Director Independence

The Board recognises that independent directors are important in assuring investors that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance.

A majority of the Board are independent Directors with the only executive Director appointed currently the Chief Executive Officer. The independence of the Directors is assessed annually taking into account such matters as tenure, contractual interests, significant security holdings, relationships with key advisers, suppliers and customers and any prior executive employment within the Group.

The Board has assessed the independence of each Director and concluded that none of the Directors has any material interest in securities, contracts or has relevant relationships with material advisers or suppliers / customers. The Board acknowledges that materiality thresholds will differ for each Director and for the Group as a whole. Accordingly, for the purposes of the independence assessment the Board has adopted a materiality threshold of 1% of the Group's last reported net assets.

Notwithstanding, that Neil Balnaves has served on the Board for periods in excess of 10 years, the Board considers that this period of long tenure has not impacted on Mr Balnaves' ability to remain objective in his judgment and independent of management.

As at 30 June 2016, Directors deemed to be independent were: Neil Balnaves AO, Roger Davis, David Haslingden, Don Morris AO George Venardos, and Melanie Willis.

Details of the tenure, current position and previous offices held by each Director which are relevant to the assessment of their independence are disclosed in their respective profiles, along with their interests in securities, and set out in the Annual Financial Report for the year ended 30 June 2016.

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Board Composition

The Directors of the Group have set out in the Board Charter the required composition of the Board subject to any requirements under the constitutions of the Company and the Manager:

- Independent directors should comprise a majority of the Board;
- Directors appointed to the Board should provide an appropriate range of qualifications and expertise; and
- In the event that the Chair ceases to be deemed independent then a lead independent Director should be appointed by the Board.

The Chair of the Board is an independent director and does not occupy a joint position as Chief Executive Officer.

Induction

Upon appointment each new Director participates in an induction programme. This includes presentations from senior management and site visits to gain an understanding of the Group's operations. In addition to annual asset tours undertaken by the Board site visits are also arranged on an ad-hoc basis and as part of the programme of committee meetings.

Training

Directors are required to keep themselves adequately informed in respect of relevant industry and regulatory issues and changes.

In order to assist Directors, each Director may participate in internal training sessions and conferences organised from time to time in respect of relevant industry and regulatory issues and may attend asset tours that are arranged from time to time.

Additional training requirements may be arranged by the Company Secretary with the Chair's approval.

Principle 3 – Promote ethical and responsible decision-making

Ethical Conduct

The Board has adopted a suite of policies designed to govern employee's behaviour whilst employed by the Group and ensure that ethical business practises are adopted in the procurement process. All employees are required to acknowledge that they understand and will comply with the Employee Ethical & Confidentiality Policy.

Media Relations

Employees are prohibited from communicating with or disclosing to any representative of the media any information of any nature whatsoever relating to the Group, its clients or customers. Only the Chair, Board of Directors, Chief Executive Officer and Chief Financial Officer are authorised to speak to the media on Group issues. Exceptions to this rule must have the prior approval of the Chief Executive Officer. Notwithstanding the general prohibition, the respective Chief Executives of each of the business divisions are authorised to speak to the media on issues specific to their area of business.

Intellectual Property

All intellectual property created during an employee's employment with the Group is and remains the property of the Group.

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Confidentiality

All Group related information acquired by Directors during their appointment is confidential to the Group and should not be released, either during the term of the Directors' appointment or following their termination without prior approval of the Board.

Employees are required to keep secret during and after their employment all information obtained about the business and affairs of the Group, its clients or customers, except as required by law. All documents or written material provided to the employee or used in connection with the Group's business is the property of the Group and must not be removed, passed on, copied or disclosed to third parties except with the Group's authority.

Conflicts of Interest

Directors should not have any business or other relationship that could materially influence or interfere with the exercise of their independent judgement apart from those declared to the Board under the Corporations Act 2001, ASX Listing Rules and other general law requirements.

Directors with a material personal interest in a matter must not be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise. Directors with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

Personal Gain

Employees must not misuse their position with the Group or any information received in the course of their employment to produce a personal benefit for themselves, their family, friends or any other person, or to cause a detriment to the Group. In the event of any conflict of interest this must be disclosed to the Group.

Employees are prohibited from soliciting or accepting any gift or benefit which induces or influences the Group to enter a transaction, business opportunity or business dealing, or which might reasonably be perceived as such an inducement or influence.

Ethical Business Practices

All employees and Group suppliers must adopt the following standards:

- Suppliers should adhere to applicable laws and regulations that govern them.
- Employment should be freely chosen; there should be no forced, bonded or involuntary prison labour, employees should not be required to lodge 'deposits' or identity papers with their employer and should be free to leave their employer after reasonable notice.
- Employees should have freedom of association and the right to collective bargaining within the framework of applicable laws.
- Working conditions should be safe and healthy; applicable Occupational, Health & Safety laws & regulations must be complied with.
- Child labour should be eliminated and suppliers should conform to provisions of International Labour Organization Convention 138 and be consistent with United Nations Convention on Rights of the Child.
- Living wages should be paid and they must meet or exceed national standards. Wages must not be paid in kind and employees should be provided with written and understandable information about their employment conditions.

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- Working hours should not be excessive and should comply with national laws and national benchmark industry standards.
- Discrimination based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation is prohibited.
- Regular employment should be provided and work performed must be on the basis of recognised employment relationship established through national law and practice.
- Harsh or inhumane treatment of employees is prohibited.

The Group seeks to collaborate with suppliers in pursuit of these standards and attempts to guide relationships by the principle of continuous improvement. Similar ethical trading standards will be considered acceptable as a reasonable alternative where suppliers are already working towards this initiative.

The Group promotes a risk based approach to implement these standards by focusing attention on those parts of the supply chain where risk of not meeting these standards is highest. This is supported by the provision of appropriate training and guidelines to implement these standards. Suppliers are advised that implementation of these standards may be assessed by the Group or through independent verification.

Suppliers are required to use reasonable endeavours to provide workers covered by these standards with a confidential means to report to the suppliers' failure to observe these standards. It is expected that all suppliers will comply with the standards and the Group reserves the right not to do business with suppliers where it can be demonstrated that significant violations exists. In particular, the Group and/or its separate businesses will not bring suppliers onto its supplier list if there is evidence of under-age workers; forced, bonded or involuntary prison labour, or where the supplier's workers are found to be subjected to potential life threatening working conditions or harsh or inhumane treatment.

Whistle-Blowing

The purpose of the Whistle-Blowing Policy is to establish an internal reporting system for the reporting of disclosures of corrupt conduct, illegality or substantial waste of company assets by the Group or its employees.

Protected Disclosures

The Whistle-Blowing Policy clearly defines what disclosures are protected and these included such disclosures that are made in accordance with the process outlined in the policy, that identify or attempt to identify corrupt conduct, illegality, or serious and substantial waste of company assets by the Group or its employees and that are made voluntarily by an employee of the Group.

Frivolous disclosures or those made solely with the motive of avoiding dismissal or other disciplinary action are not covered by the Whistle-Blowing Policy. The making of a false or misleading statement when making a disclosure under the Whistle-Blowing Policy constitutes gross misconduct.

Making a Disclosure

Under the Whistle-Blowing Policy, disclosures are made to a nominated officer. This can be done in person, by email or via the Group's third party independent ethics hotline. Disclosures can be made either inside or outside normal working hours and locations.

Group employees are encouraged to report known or suspected incidences of corrupt conduct, illegality or substantial waste in accordance with the Whistle-Blowing Policy. All Group employees must abstain from any activity that is or could be perceived to be victimisation or harassment of persons who make

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disclosures. The confidentiality of persons they know or suspect to have made disclosures should be maintained.

The nominated officer is responsible for receiving, forwarding and acting upon disclosures and must take all necessary and reasonable steps to ensure that the identities of persons who make disclosures, and the subjects of disclosures, are kept confidential. The nominated officer is also responsible for supporting persons who make disclosures and protecting them from victimisation, harassment or any other form of reprisal.

External Disclosures

Disclosures to persons or bodies external to the Group will only be protected under the Whistle-Blowing Policy if the person making the external disclosure has already made the same disclosure through the internal reporting system, the employee has reasonable grounds for believing that the disclosure is substantially true, the disclosure itself must be substantially true and the nominated officer has decided not to investigate the matter, has not completed the investigation within six months of the original disclosure or has not recommended any action in respect of the matter.

Liability on Disclosure

The Whistle-Blowing Policy provides that a person is not subject to any liability for making a protected disclosure and no action, claim or demand may be taken or made of or against the person for making the disclosure. A person who has made a protected disclosure under the Whistle-Blowing Policy is taken not to have committed any offence against any legislation which imposes a duty to maintain confidentiality with respect to any information disclosed.

Action Taken

A person who makes a disclosure under the Whistle-Blowing Policy must be notified, within six months of the disclosure being made, of the action taken or proposed to be taken in respect of the disclosure.

Fraud

The Group operates a Fraud Policy designed to prevent, deter, detect and investigate all forms of fraud. For the purposes of the Fraud Policy, "fraud" is defined as the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.

The Group has adopted a "zero tolerance" towards fraud and requires that all reported incidents, including internal fraud, will be thoroughly investigated with utmost confidentiality. Necessary action will be taken against any individual or group who have committed fraud and may involve disciplinary action resulting in dismissal from employment, and civil and/or criminal legal proceedings. Critical business procedures and controls are directed to maintain an effective fraud control environment to assist in fraud prevention and detection.

Any employee who suspects a fraudulent activity must notify the business Chief Executive or alternatively email details to a private email address set up exclusively for this purpose.

Securities Trading Policy

The purpose of the Securities Trading Policy is to regulate trading by all Directors and employees of the Group in any securities issued or nominated by the Group. This also applies to financial products issued or created over such securities (including but not limited to warrants, options and derivatives), entering

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into financing arrangements over financial products including establishment of a margin loan over such securities.

This Securities Trading Policy also applies to trading by Directors' and employees':

- Spouses;
- Children under the age of 18 years;
- Dependent children living in the family home;
- Trusts under which they or a member of their family are a trustee or beneficiary; and
- Companies which they or their family control.

General Prohibition (Insider Trading)

At all times Directors and employees are prohibited from trading in securities while in possession of unpublished price sensitive information. Price sensitive information is information which is not generally available and which a reasonable person would expect that if the information were disclosed it would have a material effect on the price of Group securities and it would therefore influence investors in deciding whether or not to buy, hold or sell securities issued by the Group.

This prohibition applies even during periods when trading windows are permitted under this policy if a person is in possession of price sensitive information. In addition to not being able to deal, the person in possession of the price sensitive information has an obligation to keep that information confidential and must not communicate it to another person unless it is information, which is required to be brought to the attention of the Company Secretary.

Specific Prohibition

All Directors and Nominated Employees are bound as a condition of their employment to comply with and observe the Securities Trading Policy.

Trading Windows

Provided Directors and Nominated Employees are not in possession of unpublished price sensitive information and have received written consent from the Company Secretary, or in the case of Group Directors and the Group's Key Management Personnel, the Chair, are permitted to trade in securities in defined trading windows.

In order to ensure all Nominated Employees are aware of their obligations the Company Secretary issues an open reminder and a close reminder to all Nominated Employees. In addition, the Group publishes key reporting dates on the Group's website.

The Group may in its discretion vary trading windows by general announcement.

Black Out Periods

All periods outside of the trading windows are blackout periods in relation to security trading by Directors and Nominated Employees.

The Group may in its discretion nominate additional blackout periods by general announcement. These may be required where additional disclosure documents are released offering securities or as a result of certain disclosures being lodged with a stock exchange, e.g. the Australian Stock Exchange.

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Discretion is vested in the Company Secretary to allow exemptions to trading during blackout periods in special circumstances only, where no price sensitive information is on hand and application of the Policy would cause undue financial hardship.

No Short Term Trading

The Board encourages employees to invest in the Group and discourages short term trading. Under the terms of the Securities Trading Policy Nominated Employees must not deal in securities for short term gain. Speculating in short term fluctuations in such securities does not promote investor and market confidence in the integrity of the Group. Accordingly, trading in securities issued by Group entities within 6 months of an acquisition is prohibited. The Group may in its discretion vary this rule in relation to a particular period by general announcement.

The Securities Trading Policy does not prevent Directors and employees from passive trading such as participating in a share plan or public offer made by the Group, provided that at the time the individual elects to participate, he or she is not in possession of any price sensitive information. Further, the individual may not subsequently vary that election until such time as they are again not in possession of such information.

The Securities Trading Policy also prohibits any hedging of unvested security based incentives by Directors and Nominated Employees.

Directors or Nominated Employees wishing to trade in securities must request prior approval to trade. Directors and the Group's Key Management Personnel must seek prior approval from the Chair while all other employees must contact the Company Secretary.

Principle 4 – Safeguard integrity in financial reporting

Audit & Risk Committee

The Board has established an Audit & Risk Committee (the "Committee") consisting of a minimum of three members with the majority of members required to be independent directors. All members must be able to read and understand financial statements, and at least one member must have financial expertise, that is the person must be either a qualified accountant or other financial professional with experience of financial accounting matters.

The Chief Executive Officer and the Chief Financial Officer are not members of the Audit and Risk Committee. They may be invited to attend meetings of the Audit and Risk Committee for reasons of efficiency but are not entitled to vote.

The Chair of the Committee will be a non-executive independent director appointed by the Board who is not the Chair of the Board.

Any Director may attend a meeting of the Committee at any time. The Committee will meet at least twice per annum and more often if deemed necessary. Meetings may be held by electronic means as allowed under the provisions of the Corporations Act 2001.

The Committee is established by the Board of Directors to review, evaluate and make recommendations to the Board in relation to:

Risk and Internal Control Environment

- Evaluating and monitoring the overall effectiveness of the Group's risk management, internal control and compliance systems;

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- Evaluating the current “control culture” of the Company and the underlying consistency, direction and communication to employees of appropriate risk policies therein;
- Reviewing existing disaster recovery plans;
- Identifying key risks within the organisation and building appropriate risk management controls and policies to minimize the impact and likelihood of same; and
- Ensuring adequate resources are allocated to assist management and the Board in implementing an appropriate internal risk culture and discipline;
- Evaluating and monitoring the Group’s fraud management policies and exposures; and
- Reviewing the entity’s insurance program, having regard to the entity’s business and the insurable risks associated with its business.

Financial Reporting

- Approving and monitoring policies, procedures and content of the Group’s statutory and management reporting;
- Considering the appropriateness of the Group’s accounting policies and principles and how those principles are applied;
- Reviewing and assessing existing management processes so as to ensure compliance with applicable laws, regulations and accounting standards;
- Ensuring that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies are discussed in advance with the external auditor;
- Reviewing the underlying quality and accuracy of the financial reports from the internal and external auditors and making recommendation to the Board on their approval or amendment;
- Evaluating the adequacy and effectiveness of the Company’s administrative, operating and accounting policies through communication with management, internal auditors and external auditors;
- Evaluating and monitoring the adequacy of the Group’s management and operational reporting;
- Ensuring the effective facilitation of the audit process;
- Reviewing and evaluating appropriate disclosures from management, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Group’s financial reporting process; and
- Serving as an independent and objective party to review the financial information presented by management to shareholders, analysts and the general public.

Internal Audit

- Making recommendations to the Board on the appointment, and where necessary the removal of the internal auditor;
- Reviewing the role, function and performance of the internal auditor, and management’s response to the internal auditor’s recommendations;
- Appraising the scope and quality of the audits conducted by the Group’s internal auditor to ensure the widest coverage possible;
- Reviewing the findings of the internal audit program and management’s response to the internal auditor’s recommendations; and
- Reviewing the resources of the internal audit function and ensuring no unjustified restrictions or limitations are imposed.

External Audit

- Making recommendations to the Board on the appointment and where necessary the removal of the external auditor;
- Reviewing annually the external auditor’s procedures for independence together with any relationships or services, which may impair the external auditor’s independence, and the rotation of the audit partner;
- Reviewing the fees and terms of engagement of the external auditor, including the scope and

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adequacy of the proposed audit program;

- Appraising the scope and quality of the audits conducted by the external auditor to ensure the widest coverage possible;
- Ensuring there is appropriate communication and co-ordination between the internal and external auditors on risks, risks policies and audit results;
- Reviewing all financial reports and management representation letters and recommending them to the Board as complete and appropriate; and
- Reviewing annually the performance of the external auditor and based on the results of the annual assessment of the external audit services, determine whether the external audit services should be re-tendered.

Compliance

- Monitoring the Company's various disclosure obligations;
- Approving of the Group's compliance framework and assessing the effectiveness of the framework; and
- Based on the information provided by Management in relation to the Group's compliance framework, ensuring that a proper process is in place for continuous reporting to the ASX.

Right to Obtain Information

The Committee is entitled to consult with expert advisers and seek expert advice where it considers it necessary to carry out its duties at the expense of the Group.

The Committee will have a right of access to internal and external auditors and senior management. The Committee will also meet separately with the internal and external auditors at least annually or as otherwise required.

Chief Executive Officer and Chief Financial Officer Declarations

The Board has received confirmation from both the Chief Executive Officer and Chief Financial Officer that their declarations for both the interim and full year financial reporting periods made in accordance with section 295A of the Corporations Act 2001, were based upon sound system of risk management and internal control and further that the system is operating effectively in all material respects in relation to financial reporting risk.

External Auditors

The external auditor is requested by the Board to attend each AGM to answer questions about the conduct of the audit and the preparation and contents of the Auditors Report.

Principle 5 – Make timely and balanced disclosure

Continuous Disclosure Policy

In order to regulate the continuous disclosure regime across the Group in relation to any securities issued by the Group the Board has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy aims to ensure that the Group complies with the continuous disclosure requirements contained in the Corporations Act 2001 (the Act) and the Australian Stock Exchange (ASX) Listing Rules (the Rules). The successful operation of the Group's continuous disclosure regime promotes investor confidence by providing full and timely information to the market about the activities of the Group and serves to educate all relevant Group personnel on what continuous disclosure is, and how they can ensure they meet their individual responsibilities.

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Commitment to Continuous Disclosure

Subject to the exceptions contained in the Listing Rules, the Group will immediately notify the market of any information or matter related to the businesses or financial condition of the Group which a reasonable person would expect to have a material effect on the price or value of those securities. Such notifications will be made by way of an announcement to the ASX.

Reporting of Disclosable Information

Directors and employees must ensure that any information which may require disclosure is reported to the Company Secretary or his/her nominee as soon as it is known. The Company Secretary will then determine whether any item of information is to be disclosed to ASX. Where the Company Secretary decides that information reported does not warrant an ASX release and the Director or employee who reported the information disagrees with that decision, they may choose to refer the matter to the Chief Executive Officer.

ASX Announcement Approval

If the Company Secretary determines that an item of information is to be disclosed to the ASX then the draft of the ASX announcement must be approved either verbally or in writing, by the Chief Executive Officer prior to release. ASX announcements deemed to contain price sensitive information must be circulated to the Board of Directors for comment prior to release.

Release of Information

Price sensitive information must not be released externally until it has first been lodged with the ASX and the ASX has acknowledged that the information has been released to the market. That is, selective disclosure of such information cannot be made to brokers, analysts, the media, professional bodies or any other person until the information has been given to (and released by) the ASX. This includes information that is subject to embargo as the ASX does not accept embargoed information.

In the event that at an analyst or media briefing an inadvertent disclosure is made which is price sensitive then that information must be immediately made available to the market through the ASX.

Analyst and Media Briefings

All material to be presented at an analyst briefing must be approved by or referred through the Company Secretary prior to the briefing.

Trading Halts

The Company Secretary may, with the approval of the Chair and the Chief Executive Officer, or failing whom, the Chief Executive Officer and any other Non-Executive Director, or failing whom any two Non-Executive Directors, request the ASX to halt trading in the securities.

Training and Development

The Continuous Disclosure Policy requires that relevant employees undergo training with respect to disclosure requirements.

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Board Procedures

The Board of Directors must consider and minute at each full Board meeting whether there are any matters requiring disclosure. If no matters require disclosure this must also be explicitly included in the minutes.

Media Releases

Releases, interviews and other communications to the media may be undertaken so long as they do not contain or refer to price sensitive transactions and do not fall within the Group's materiality thresholds. Any discussions or presentation to third parties should only be undertaken post release to the ASX of the subject matter if they include material information.

Website

All releases whether material or not are required to be posted to the Group website for access by investors and other interested parties.

Principle 6 – Respect the rights of shareholders**Corporate Governance**

The Group's website at www.ardentleisure.com has a corporate governance section on its website from where all relevant corporate governance information can be accessed, including the details on the Board of Directors, Management Team, the Company and Trust Constitutions, Board and Committee Charters and various corporate governance policies.

Investor Communications

The Group has adopted a specific investor communications policy for investors and believes that a flexible approach to investor communications and early adoption of emerging technology is the most effective manner of increasing investor participation in the business of the Group.

Throughout the year, the Group follows a calendar of regular disclosures to the market on its financial and operational results. An indicative calendar of events is made available to investors on the Group's website.

In accordance with the Group's Continuous Disclosure Policy, the Group must ensure it does not communicate inside information to an external party except where that information has previously been disclosed to the market generally.

As soon as is practicable all Group announcements and copies of analyst and media briefing are posted to the Group's website. Other information of relevance to investors is also made available on our website, including, annual and half yearly financial reports, key dates, distribution history, cost base allocations, management fee breakdowns and the management investment trust notices.

The website also contains a link to the Group's security registrars and a live feed from the ASX for the Group's security price information.

Investors Reports

The Group prepares annual reports for investors for each financial year ending 30 June and half year for the period ending 31 December. These reports are posted on the website on their day of release to the ASX. Investors may elect to receive a hard-copy of these reports or an email notification once they

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become available on the website. The default option for receiving the annual report is via the Group's website at www.ardentleisure.com.

General Meetings

The Group holds an annual general meeting (AGM) in October or November each year. The date, time and venue of the AGM are notified to the ASX when the annual report is lodged with the ASX, generally in September each year. The Board of Directors aims to choose a date, venue and time considered convenient to the greatest number of our investors.

All notices of meetings will be accompanied by clear explanatory notes on the items of business. A copy of any such Notice of Meeting will be placed on the Group's website. Should an investor not be able to attend a general meeting they are able to vote on the resolutions by appointing a proxy. The proxy form included with the notice of meeting will clearly explain how the proxy form is to be completed and submitted.

As previously stated, the external auditor attends each AGM to answer questions about the conduct of the audit and the preparation and contents of the Auditors Report.

Investor benefit program

Investors with 2,000 or more securities are entitled to participate in an Investor Benefits Program. The program aims to provide qualifying investors with an opportunity to experience some of the assets owned by the Group at discounted rates.

Principle 7 – Recognise and manage risk

Safety, Sustainability & Environment Committee

In addition to the Audit & Risk Committee detailed in Principle 4 the Board has established a Safety, Sustainability & Environment Committee (SSE Committee). The SSE Committee was established to monitor, review, evaluate and make recommendations to the Board in relation to occupational health & safety (OH&S), sustainability and the environment.

The Committee was established by the Board of directors to monitor, review, evaluate and make recommendations to the Board in relation to the following matters:

Safety

- The effectiveness of OH&S policies and the safety related aspects of the operational risk management framework necessary to maintain a safe environment for both guests and employees across the Group including drafting, implementing and recommending improvements;
- Setting appropriate goals to maintain the Group's lost time injury frequency rate (LTIFR) below industry benchmarks;
- The adequacy of existing OH&S resources as well as their ongoing training and supervision;
- The scope and results of periodic internal and external reviews of OH&S and operational risks including the process of identifying and assessing OH&S risks and the adequacy of existing OH&S risk management systems; and
- The compliance of the Company with regard to existing and possible future OH&S regulations and determining what changes, if any, need to be made to existing work practices in order to ensure compliance.

Sustainability

- Reviewing the Group's policies and procedures in relation to sustainability;
- Monitoring the adequacy of resources applied to sustainability as well as their ongoing training and supervision;
- Reviewing any report on sustainability, which is prepared pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the annual report; and
- The compliance of the Company with regard to current laws and regulations and determining what changes, if any, need to be made to existing work practices in order to ensure compliance.

Environment

- Evaluating and monitoring the effectiveness of the Group's environmental policies and environmental management plans;
- Evaluating and monitoring the adequacy of environmental resources as well as their ongoing training and supervision;
- Reviewing the scope and results of periodic internal and external reviews of environmental risks including the process of identifying and assessing environmental risks and the adequacy of existing environmental risk management systems; and
- The compliance of the Company with regard to current environmental laws and regulations and determining what changes, if any, need to be made to existing work practices in order to ensure compliance.

The Committee will not address matters associated with financial or monetary risk associated with internal financial controls.

Risk Management Framework

The Risk Management framework for the Group requires a periodic review by management and the Board. These reviews ensure that the risk management framework continues to be a pro-active tool across the Group.

Scope of Risks considered

The risk management review covers five key business risks:

Key Business Risk	Risk Categories
Enterprise	Continuity, Control, Cost, Culture, Efficiency, Insurance, Knowledge, Legal & Regulatory, Performance, Privacy, Resourcing, Strategic Planning, Strategic Execution, Succession.
Fraud / Error	Cash, Brand / Trademark, Consumables & Trading Stock, Procurement, Defamatory, Financial Statements, Furniture & Fittings, Hardware, Information Systems, Information & Knowledge, Job, Management Reporting, Payroll, Personal Property, Software, Office Supplies, Company Income Tax, GST, FBT, PAYG, Payroll Tax, Web.
Business Management	Framework Awareness, Change, Confidentiality, Contract, Culture, Detection, Documentation, Escalation, Interpretation, Reporting, Resourcing, Responsibility.
Board Secretarial	Admission, Conflict, Documentation, Duties, Governance, Legal, Regulatory, Resolution.
Environmental & Safety Management	Contamination, Media / Publicity, Employee Safety, Guest & Contractor Safety.

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Risk Assessment Methodology

The risk assessment methodology adopted for these reviews includes a three step process. Firstly, the inherent risk for each risk category is determined by evaluating likelihood & consequence of the risk based on the current and existing processes. Risks are evaluated and ultimately allocated to one of 4 distinct categories of Extreme, High, and Moderate and Low. Next the effectiveness of existing risk controls is reviewed and a ranking determined on a scale of Good, Fair or Poor. Finally, after the controls have been assessed the residual risk factors are derived into three categories of High, Medium and Low by merging the inherent risk rating and the effectiveness of the controls rating.

Risk Gap Analysis

The Group's senior executive reviewed the risk management register and undertook a third party gap analysis designed to identify any material risks that had not otherwise been included in the risk review process and to independently assess the Group's internal residual risk ratings.

Internal Audit

The Group has an Internal Audit function which is responsible for assisting with the accomplishment of the Group's objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes. The Group Chief Audit Officer has a direct reporting line to the board via the Audit and Risk Committee.

Principle 8 – Remunerate fairly and responsibly

Remuneration & Nomination Committee

The Directors have established a combined Remuneration and Nomination Committee due to the relatively infrequent need to call upon the services of the previous Nomination Committee. The combined Remuneration and Nomination Committee consists of a minimum of three members with the majority of members required to be independent directors.

The Remuneration and Nomination Committee is specifically responsible for making recommendations to the Board in relation to setting policies for remuneration programs appropriate to the Group, remuneration and incentive schemes of senior management, reviewing the performance of the Chief Executive Officer on an annual basis, setting the Group's recruitment, retention and termination policies and procedures for senior management, superannuation, the remuneration framework for directors and the approval of any report on executive remuneration, which is required pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the Annual Report.

Further details of the Group's remuneration policies are set out in the Directors' Report contained in the Annual Financial Report for the year ended 30 June 2016.

The Board has adopted a specific clawback clause to be included in grant letters for deferred equity whereby any unvested Performance Rights shall be subject to potential lapse, cancellation, rescission or other action in the event that the Group becomes aware of any misstatement in its financial statements for any of the immediately preceding 3 financial years due to:

- (a) a material non-compliance with any financial reporting requirement;
- (b) the misconduct of any Key Management Personnel; or
- (c) the misconduct of any of its other employees, contractors or advisers as a result of the direction (or lack of direction) by any member of the Key Management Personnel.

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To the extent that the Performance Rights granted exceed the number, metrics or outcome that would have been applied had the misstatement not been made, then the Group may cause the deferred vesting or lapse of unvested Performance Rights representing all or part of the grant.

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