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**ASX RELEASE**

22 September 2011

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

Dear Sir/Madam

**ANNUAL REPORT 2011**

Please find attached the Ardent Leisure Group Annual Report 2011 for release to the market in accordance with Listing Rule 4.7.

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 operates Dreamworld, WhiteWater World, SkyPoint, d'Albora Marinas, AMF and Kingpin bowling centres and Goodlife fitness centres across Australia and New Zealand. The Group also operates the Main Event family entertainment centres in the United States. For further information on the Group's activities please visit our website at www.ardentleisure.com.au

**Ardent Leisure Group**
Comprising
**Ardent Leisure Trust ARSN 093 193 438**
(Manager: Ardent Leisure Management Limited ABN 36 079 630 676, AFS Licence No. 247010) and
**Ardent Leisure Limited** ABN 22 104 529 106

ARDENT
LEISURE

# ANNUAL REPORT 2011

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Ardent Leisure operates a portfolio of some of Australia's best known affordable leisure assets including AMF and Kingpin Bowling, Dreamworld, Whitewater World, SkyPoint observation deck, Goodlife Health Clubs, d'Albora Marinas as well as our Main Event family entertainment centres in the US.

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# Message from the Chairman

**Dear Investor**

The year has seen a broad based improvement in the economic conditions in the Australian leisure market compared to the previous 12 months. This improvement has also been shared by our US operations with a return to growth in our Main Event Entertainment business despite continuing concerns with the state of the US economy. The affordable leisure sector proved resilient in a varied economic environment and this coupled with a focus on margins saw earnings growth achieved in each division with exceptional results from our Health Club, Marina and Main Event divisions. The year also saw a general diversification in earnings streams through the development and acquisition of new bowling centres and health clubs thereby reducing the dependence on the Theme Park division.

The full year impact of new developments at Rooty Hill RSL (NSW) and Robina (QLD) has provided further impetus to the Bowling division and further development opportunities have been secured for the key Sydney areas of Penrith and Liverpool. A new Kingpin bowling venue is also under development in the mining and military centre of Townsville (QLD) potentially providing a model for future regional growth opportunities for our Bowling division.

A revised business model and more competitive pricing lead the Theme Park division to achieve increased attendance and revenue. The trading improvement in the Theme Park division was however offset by atrocious weather conditions in Queensland over key trading periods. The Group was fortunate to emerge relatively unscathed from the flood crisis that devastated parts of Queensland and in February 2011, hosted the numerous emergency services volunteers and their families free of charge in recognition of their efforts.

In order to counter these uncertain conditions we invested in new product for the Theme Park division to drive revenue and market share. A number of innovative product offerings such as Winter Wonderland, Illuminate and the launch of Tower of Terror II have proven successful in driving attendance growth and awareness. The focus on product range has continued with the recent launch of the Shockwave and Buzzsaw thrill rides and the development of a major new entertainment precinct expected to launch in early 2012. During the year, the Group rebranded QDeck under the SkyPoint name and invested in new kitchen facilities that helped secure a significant increase in corporate and special events. The development of the adventure climb concept remains on track for launch late in 2011.

During the year, the Group also rebranded QDeck under the Skypoint name and invested in new kitchen facilities that helped secure a significant increase in corporate and special events. The venue refurbishment and the development of the adventure climb concept are expected to increase the appeal of SkyPoint to both domestic and international visitors.

The Main Event Entertainment business in the US has achieved significant growth driven by the success of a number of targeted marketing offerings. These "Limited Time Only" offers have helped drive revenue and operating margins during a challenging period. A sale and leaseback campaign has also been undertaken for the Webster property and this will release capital and allow the Group to pursue further growth opportunities with a new site secured for San Antonio due to open in February 2012.

In our Health Clubs division, , the Group continues to target bolt-on acquisition opportunities and recently completed the acquisition of three Re-Creation health clubs in Victoria in March 2011 with a further independent club acquired in Western Australia in April. The division remains focussed on pursuing bolt-on opportunities in states across Australia where we are the dominant brand and these will firmly secure our positioning as one of Australia's largest Health Club operators. These acquisitions, coupled with refurbishments and a new development at Cross Roads in South Australia helped the division drive membership growth through the year.

Opportunities to grow our Marina division remain limited but the division again demonstrated its stability with another superb year of improved operating margins and exceptional occupancy rates.

In December 2010, the Group successfully secured the extension of our credit facilities with a two bank syndicate to provide greater funding flexibility and a spread of maturity dates. The introduction of an element of US$ denominated debt will also help to reduce hedging costs. We continued to enhance the Group's capital management through the settlement of the sale of the Dreamworld excess land resulting in Group gearing at 30 June 2011 of 31.5% against a bank covenant of 40%.

Throughout the year the Board continued to review and strengthen corporate governance and has expanded the internal audit function with process enhancements in place across our cash handling, fraud control and health and safety systems. A significant investment in the IT and human resource functions has also commenced with a program of hardware and software upgrades underway.

The last 12 months saw the Board approve a new diversity policy aimed at increasing female managerial participation across our businesses. The Board also mandated a 10% target reduction in the Group's carbon footprint focused primarily on electricity and gas usage and a number of energy reduction initiatives are planned to be rolled out across four trial centres in the first half of the 2012 financial year. If successful these initiatives will then be retrofitted to other Group sites. These initiatives not only provide financial benefits to the Group but are also designed to provide long term sustainable value for investors.

Finally, on behalf of all the Board I would like to thank our staff, customers and investors for their support in a challenging trading year.

**Neil Balnaves**
Chairman

# Message from the Chief Executive Officer

The year under review has seen a general improvement in trading conditions across the portfolio. Revenue and earnings growth has been achieved in every division with exceptional performances from our Health Club division (up 29.9%), Main Event (up 26.1%) and Marina division (up 14.6%). The Group increased the distribution to investors by 7% to 11.5 cents per security, up 0.75 cents on the prior year. This distribution for the year represents a yield of approximately 9.02% based upon a security price of $1.275 at 30 June 2011.

Our strategy to focus on affordable leisure products that appeal to a broad range of age groups and demographics has provided significant resilience in trading despite poor conditions.

During the year, the Gold Coast region was adversely affected by natural disasters both in Queensland and overseas with lower than forecast interstate and foreign tourist numbers travelling to the region. As a result of these influences the Theme Park division focused on "value for money" offers and pleasingly this helped earnings grow 3.8% over the prior year.

The division successfully launched a number of new attractions and initiatives during the year as part of the Group's capital expenditure program and this will continue with the scheduled launch of a new extreme thrill ride, Buzzsaw in September 2011 and a major entertainment precinct in the second half of the current financial year. While the Gold Coast continues to experience increased competition from offshore destinations due to the strength of the Australian dollar, the destination remains well placed to benefit from the increased supply of competitively priced airfare and accommodation packages now being offered. In the current year, a return to more normalised ticket pricing structures will assist in building revenues per customer on the back of a strong line up of new product.

During the year, the successful rebranding of QDeck to Skypoint and the new kitchen helped increase earnings. We expect the launch of the external adventure climb in the third quarter of the financial year to further boost revenue and awareness of the observation deck.

The Marina division again delivered solid growth in earnings, up 14.6% over the prior year. Portfolio berthing occupancies increased 4% to 90%over the period reflecting the strength of d'Albora Marina locations in Australia's most popular waterways. Importantly, the Group successfully negotiated the extension of the Akuna Bay lease during the period and is in the process of negotiating extensions to a number of other leases.

The Bowling division delivered a 4.5% increase in earnings for the year. The result was positively impacted by the full year contribution of new developments at Clayton (VIC), Rooty Hill RSL (NSW), Robina Town Centre (QLD) and nine months of operation of AMF Watergardens (VIC). Revenue and earnings growth from constant centres has also seen modest growth.

The positive impact on earnings from new developments has shown the success of our target locations and further new developments are planned for Penrith (NSW), Liverpool (NSW) and Townsville (QLD). In addition, a number of refurbishments of existing centres were completed in the year. The introduction of M9 laser skirmish arenas into targeted existing centres remains a priority with three new arenas planned this financial year. This initiative will assist in securing an increase in corporate, social and birthday party bookings.

The Health Clubs division recorded earnings growth of 29.9% over the prior year assisted by a full year contribution from the seven Western Australian health clubs acquired in April 2010 and the acquisition of three Re-Creation health clubs in Victoria in March 2011 and an independent club at Cottesloe in Western Australia in April 2011. Earnings growth has also been seen across the constant health club portfolio mainly due to more effective marketing and operational efficiencies. With a total of 43 centres Australia-wide, Goodlife is now the dominant health club operator in Queensland, South Australia and Western Australia.

In the United States, the Main Event business experienced improved trading conditions over the past year with US dollar earnings increasing by 26.1% against the prior year. Main Event continues to successfully focus on "Limited Time Only" promotional offers providing strong value for money to a price sensitive consumer. The Group is also actively pursuing organic growth opportunities in Texas and has already commenced development of a new centre in San Antonio that is scheduled to open in the second half of the current financial year.

I would like to thank our dedicated employees, investors and stakeholders for their support throughout the financial year.

**Greg Shaw**
Managing Director and
Chief Executive Officer

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## Bowling division

**The Bowling division experienced a return to growth in revenue to record total revenue of $108.6 million for the year reflecting a 6.5% increase on the prior year. Earnings totalled $14.6 million representing an increase of 4.5% on the prior year. The result was assisted by the full year impact of new developments at Clayton (VIC), Robina Town Centre (QLD) and Rooty Hill RSL (NSW) and nine months of trading at Watergardens (VIC).**

The success of new centres, continued growth of our ecommerce business and a focus on corporate costs helped the division increase operating margins to 33.1%.

Three new sites have been secured for centres at Penrith (NSW), Liverpool (NSW) and Townville (QLD) and installation of M9 laser skirmish facilities are planned for three of our existing centres. The portfolio continues to be enhanced with a two major refurbishments to be completed in the 2012 financial year.

The refurbishment of existing centres and the addition of M9 laser skirmish to selected venues is expected to help drive revenue and earnings in the year ahead.

Despite a subdued trading environment, the Bowling division recorded July 2011 revenues of $12.6 million reflecting a 5.1% increase on the prior corresponding period.

**Fast Fact:**

**The Bowling division hosted over 30,000 birthday parties during the year and our guests played over 9.2 million games.**

## Theme Parks division

**The Theme Parks division recovered from the prior year with a solid performance over summer despite unprecedented wet weather and flooding across South East Queensland and Northern New South Wales. The division recorded total revenue of $101.55 million representing an increase of 3.0% on the prior year. Earnings for the year of $32.3 million represented an increase of 3.8% on the prior year.**

Park attendance grew 30.8% in the period primarily due to the success of the "value for money" $69 unlimited pass. As anticipated, this substantial increase in attendance resulted in dilution to guest in-park spending with per capita spend falling by 21.3%. During the year the division launched a number of new products including the "Lair" white lion enclosure, the 3D Dreamworld cinema, the Australian Sheep Shearing stadium and new thrill rides, Tower of Terror II and Shockwave.

The division will continue to focus on new product with the launch in September 2011 of the southern hemisphere's highest inversion ride, the BuzzSaw, set to increase the park's appeal. A major new entertainment partnership and precinct is also planned for launch in the second half of the 2012 financial year. A return to a more normalized ticket pricing structure coupled with these exciting new product releases will assist in building average revenues per customer.

The first full year impact of the SkyPoint observation deck has realised synergies across the division and the development of our new kitchen facilities has assisted in building revenue from conference and events markets. The Theme Parks division expects to benefit from the launch of SkyPoint Climb, the new extreme thrill climb around the outside crest of the Q1 building, in the third quarter of the 2012 financial year. This product will be unique to the Gold Coast and is expected to have broad appeal.

**Fast Fact:**

**During the year our theme park guests rode our rides over 10.3 million times and we served almost 1.4 million customers at our food and beverage outlets.**

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## Health Clubs division

**The Health Clubs division saw a strong full year performance with the division delivering total revenues of $90.0 million representing a 22.7% increase on the prior year helped by a full year of trading in the Western Australian health clubs acquired in April 2010 and recent acquisitions in Melbourne and Perth.**

Earnings for the period increased 29.9% to $16.4 million with operating margins increasing by 1.6%. The result reflects the success of new acquisitions together with solid growth from our constant clubs where revenues grew by 4.8%.

The division is expected to benefit in the 2012 financial year from a full year contribution of new health clubs at Cross Roads (SA), Cottesloe (WA), Sandringham (VIC), Armidale (VIC) and Glen Iris (VIC) with July 2011 revenues up 17.5% on July 2010. Constant club revenue in July 2011 has also increased by 2.1% over the prior corresponding period.

The Health Club division will continue to seek suitable acquisitions to strengthen the portfolio and has secured new sites at Dernancourt (SA) and Maroochydore (QLD). A focus on operational refinements and ancillary revenue streams is expected to assist margin improvement.

**Fast Fact:**

**Goodlife Health Clubs organized 90,130 fitness classes during the year for over 1.8 million participants.**

## Marina division

**The Marina division has seen portfolio occupancy increase to an average of 90% for the year and has recorded total revenue of $23.6 million representing an increase of 4.3% on the prior year. Berthing revenues of $12.2 million increased by 7.1% on the prior year and land revenues increased by 7.6%. Fuel sales for the period were impacted by adverse weather and increased competition but this was partly offset by a 6.6% increase in fuel sales price.**

Earnings of $11.0 million increased 14.6% on the prior year with the division achieving increased operating margins of 56.0% for the period against 52.9% in the prior year.

After an exceptional trading year the business is expected to return to more normalized growth with focus to be placed on berthing rates while maintaining occupancy levels. Overall business conditions for the division are expected to remain stable with revenues of $1.72 million recorded in July 2011 representing an increase of 2.5% on July 2010.

**Fast Fact:**

**The Marina division operates 11,810 metres of berthing space with 880 wet berths and 471 dry berths.**

## Main Event

**Main Event saw a large improvement of both walk-in and event business across the year driven by "Limited Time Only" marketing initiatives, new food offerings and strategic "value for money" game pricing. The division recorded total revenues of US$50.56 million representing an increase of 10.6% on the prior year.**

Earnings for the period totalled US$11.0 million representing a 26.1% increase on the prior year. Increased operating margins of 33.4% were achieved largely due to disciplined cost management. Main Event recorded July 2011 revenues of US$5.4 million representing an increase of 8.4% on the prior corresponding period.

The state of Texas continues to show improvement in economic conditions with unemployment reported to be 1.2% better than the US national average and the Texas economy growing at 3% per annum compared to the national average of 1.2% per annum.

The affordable nature of the Main Event product range has proven to be well suited to a price conscious consumer. A continued focus on product and service quality has not only attracted more customers but also seen consistent growth in repeat visitation. After more than 12 months of solid earnings growth development activity has recommenced with a new Main Event family entertainment centre expected to open in San Antonio in early 2012.

**Fast Fact:**

**Main Event Entertainment centres hosted over 3.8 million guests in 2011 and sold over 1.5 million sodas. Event amusement machines were played over 20 million times and guests redeemed game points for over 1.2 million toys and gifts.**

# Board of Directors

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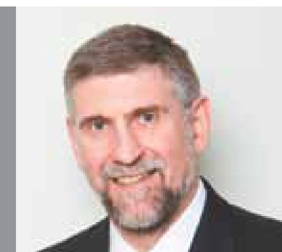

## Neil Balnaves, AO

Neil Balnaves was appointed as Chairman of the Group in 2001. Neil has worked in the entertainment and media industries for over 46 years, previously holding the position of Executive Chairman of Southern Star Group Limited which he founded. Neil is a Trustee Member of Bond University and has an Honorary Degree of Doctor of the University. Neil is a 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 Director of Technicolor Australia Limited and a board member of the Surf Life Saving Foundation. He is a Trustee of the Mosman Public Art Trust, serves on the boards of numerous advisory and community organisations and is a Foundation Fellow of the Australian Institute of Company Directors.

In 2006, Neil established The Balnaves Foundation, a philanthropic fund that disperses more than $2 million annually in supporting eligible organisations that aim to create a better Australia through education, medicine, and the arts with a focus on young people, the disadvantaged and Indigenous communities. In 2010, Neil was appointed an Officer of the Order of Australia for his services to business and philanthropy.

Neil is Non-Executive Chairman of the Group, Chairman of the Remuneration & Nomination Committee and is a member of the Audit & Risk Committee.

*Former listed directorships in last three years:*
None

## Roger Davis

Roger Davis was appointed a Director of the Company in 2008. Roger brings over 30 years experience in banking and investment banking in Australia, the US and Japan to the Board. Roger is presently a Consulting Director at Rothschild (Australia) Limited and holds directorships at Aristocrat Leisure Limited, The Trust Company Limited, TIO Ltd and Chartis Australia Insurance Limited. He is also a director of Charter Hall Office Management Limited, manager for Charter Hall Office REIT, and Bank of Queensland. 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, Magellan Financial Group Ltd and Citicorp Securities Inc. in the United States.

Roger holds a BEc (Hons) from the University of Sydney and an MPhil from the University of Oxford.

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

*Former listed directorships in last three years:*
None

## Anne Keating

Anne Keating was appointed a Director or Ardent Leisure Management Limited in 1998. Ms. Keating is currently a Director of REVA Medical Inc., Goodman Group, GI Dynamics, Inc., Clearview Wealth Limited and is a member of the Advisory Council of Royal Bank of Scotland (Australia). Anne is also a Director of the Garvan Institute of Medical Research, a Trustee of the Centennial Parklands and Moore Park Trust and a Governor of the Cerebral Palsy Foundation.

Anne's former directorships include STW Communications Group Limited, Insurance Australia Group Limited, NRMA, the WorkCover Authority of NSW, the Tourism Task Force, Spencer Street Station Redevelopment Holdings Limited and the Victor Chang Cardiac Research Institute. Ms. Keating was the General Manager of Australia for United Airlines from 1993 to 2001.

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

*Former listed directorships in last three years:*
STW Communications Group Limited

## Greg Shaw

Greg Shaw was appointed a Director in September 2009 following the completion of the internalisation project. Greg is the Chief Executive Officer and Managing Director of the Group and was appointed to this role in 2002. Prior to joining the Group, Greg was the Managing Director of Port Douglas Reef Resorts Limited, a major resort owner and property development group. In this role, Greg was awarded the Australian Chartered Accountant in Business Award for a $6 million profit turnaround in two years. Greg qualified as a Chartered Accountant in 1983.

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

*Former listed directorships in last three years:*
None

## George Venardos

George Venardos was appointed a Director of both the Company and the Manager in September 2009 and brings extensive financial management experience to the Board derived from his previous roles. George was Chief Financial Officer of Insurance Australia Group from 1998 to 2008 and currently holds non-executive directorships with Bluglass Ltd, IOOF Ltd, Miclyn Express Offshore Limited, Guild Group Holdings Ltd and TIO Ltd.

George is a Fellow of The Institute of Chartered Accountants in Australia and holds a commerce degree from the University of New South Wales.

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

*Former listed directorships in last three years:*
Australian Wealth Management Ltd

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**Greg Shaw**
As Chief Executive Officer (CEO) of the Group, Greg is responsible for the overall coordination of the Group's activities including strategy, acquisitions, financial management and operations.

**Richard Johnson**
Richard became Chief Financial Officer of the Group in December 2004. After practising as a chartered accountant in London, he specialised in the sports and leisure industry where he now has 17 years experience. Richard is a Fellow of The Institute of Chartered Accountants in England and Wales.

**Jordan Rodgers**
Jordan joined AMF in May 2007 as Chief Operating Officer and assumed the role of CEO for AMF in September 2007. Jordan has 20 years experience in operations, development and consultancy in the hospitality industry.

**Roy Menachemson**
Roy has worked in the Bowling division since its acquisition in 2005. Originally heading up the business as CEO, Roy moved to the CEO Development role in 2007. Roy oversees new bowling centre developments and refurbishment of existing centres.

**Tim Innes**
Tim joined the Group as AMF Operations Manager in 2005, moving to the role of CEO Kingpin Bowling in 2006. Tim has over 25 years experience in hospitality, covering all areas of operations and management of hotels and resorts, nightclubs, restaurants and liquor retail outlets.

**Charlie Keegan**
Charlie joined Main Event Entertainment in October 2006. Charlie has over 25 years of hospitality industry experience in North America, with extensive experience in the casual dining sector.

**Greg Oliver**
Greg joined the Goodlife Health Clubs business in June 2010. Greg has had an extensive professional career in the fitness industry, having successfully owned and operated a number of clubs, created Debit Success, Australia's leading fitness direct debit and membership software provider, and successfully operated one of Australia's largest fitness training organisations.

**Marcus Anketell**
Marcus joined d'Albora Marinas in January 2011, having been the manager of the Northern Region for AMF Bowling for the previous five years. Prior to this, Marcus enjoyed a successful career in the hospitality and tourism industry with almost 20 years of experience in the areas of hotel and resort management and operations. He was a founding director and operations manager of Plaza Hotels Australia and has undertaken business consultancy roles both locally and abroad.

**Alan Shedden**
Company Secretary of the Manager and the Company, Alan was appointed Company Secretary of the Manager and the Company on 9 September 2009 upon completion of the internalisation project. Alan has over 12 years of experience as a Company Secretary and prior to joining the Group, held positions at Brookfield Multiplex and Orange S.A, the mobile telecommunications subsidiary of France Telecom S.A. Alan holds a degree in business studies and is a Fellow of the Institute of Chartered Secretaries and Administrators.

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## Sustainability

The Group continues to develop sustainable business practices with a focus on occupational health & safety and the environment.

*The Group is committed to the adoption of environmentally, socially and economically sustainable solutions across all of its areas of business activity. The sustainability function continually develops our program of social and environmental sustainability and assists the Group in contributing to economic development while being mindful of our impact on our employees, their families and the local community and society at large.*

*The Group is committed to maintaining a working environment and culture where sustainability is a core value.*

In September 2009, the Directors adopted a suite of policy statements to help coordinate and better communicate the Group's efforts in sustainability. The Directors also established a Safety, Sustainability & Environment Committee (SSE Committee). The role of the SSE Committee is to monitor, review, evaluate and make recommendations to the Board in relation to occupational health & safety (OH&S), sustainability and the environment.

The SSE Committee monitors the effectiveness of the Group's OH&S policies and the operational risk management framework including drafting, implementing, monitoring and recommending improvements. The SSE Committee also reviews the adequacy of existing OH&S resources as well as current and possible future regulations.

Periodic internal and external reviews of OH&S and operational risks are undertaken and the results discussed with management. These reviews include the process for identification and assessment of OH&S risks and the adequacy of existing risk management systems.

In the field of sustainability and the environment, the SSE Committee reviews the Group's policies, procedures and reporting in relation to sustainability and monitors the adequacy of resources applied to sustainability as well as existing and possible future regulations.

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

### OH&S

*The Group is committed to the OH&S of employees, contractors and all others who operate under the Group's areas of control. OH&S is a primary function within the Group and has the full support of the Directors. The Group seeks to maintain a culture with OH&S as a core value through the communication of defined objectives and targets and is committed to exceed the requirements of applicable OH&S legislation. The Group adopts a consultative approach to OH&S focused on critical risks within the workplace. The Group will ensure that safety is integrated into the design and planning processes with implementation of continuous improvements based upon lessons learned across our operations.*

The Group operates an integrated safety management system across all operating divisions with regular sign offs by divisional CEOs. The Group also operates a number of safety committees whose purpose is to oversee the management of all safety and environmental related risks within the Group. These committees monitor the safety management system, review and implement safety management initiatives and also include elements of emergency planning. The committees also provide senior managerial support for all aspects of safety and environmental matters.

# Sustainability

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The Group's OH&S strategy focuses on specific priority areas such as the reduction of employee and visitor related injuries, improved data collection, management and analysis, regular scheduled safety audits, contractor management and the continuing development of a culture of safety throughout the Group.

During the 2011 financial, year the Group's workers compensation claims have fallen 11.1% to 128 from 144 in the prior year.

## Environmental

*The Board of Directors is committed to providing a working environment and culture where the protection and enhancement of the environment are core values. The Group is committed to minimising our impact on the environment in which we operate, through the identification and management of environmental risks. The Group ensures that environmental considerations are integrated into business planning processes.*

Unaudited energy numbers for the Group's Australian businesses for the year ended 30 June 2011 translate to total emissions of 59.34 KT of $CO_2$ (2010: 50.96 KT).

The Group has adopted a target of a 10% reduction in energy usage on a constant centre basis. Constant centres are defined as the Group's total business sites excluding those sites that have been opened or closed through the period. The largest component of the Group's energy is electricity usage with some natural gas, LPG and fuel oils. On a constant centre basis, electricity usage fell by 5.91% from the prior year.

### Constant Centre Electricity Usage

| Division | Variance on Prior Year (%) |
|---|---|
| • Bowling | (8.5) |
| • Health Clubs | (3.3) |
| • Marinas | 7.0 |
| • Theme Parks | (5.5) |

The Group is actively investigating ways of reducing our emissions and aims to install dynamic metering across all sites to help in data analysis and reporting.

During the year, the Group joined the NSW Government Energy Saver scheme managed by the Office of the Environment and Heritage and through this scheme engaged independent energy consultants to review energy usage at four sites in NSW. The energy audits aim to identify opportunities for energy savings and efficiencies in the no cost, low cost and capital cost categories. In addition, the audits will also produce a standardised operational checklist to drive uniform efficiencies across the portfolio. Initial capital and operational recommendations have been received from consultants and these will be assessed for viability and where appropriate adopted across the Group's portfolio.

The Group is required to report under the third phase of the Australian Government National Greenhouse and Energy Reporting Act 2007 for the year ended 30 June 2011.

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## 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 security holders.

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;
- Oversight and approval of accounting, risk management and compliance control systems;
- Monitoring financial and other reporting;
- Appointing and removing the Chief Executive Officer and Chief Financial Officer;
- Monitoring the performance of management;
- Monitoring compliance with legal and ethical behaviour; and
- Ensuring effective communications with securityholders and other stakeholders.

The Board Charter also sets out the responsibilities of the Chairperson 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;
- Dividend/distribution payments;
- Appointment and removal of auditors;
- Appointment and removal of any of the Chief Executive Officer, Chief Financial Officer or Company Secretary;
- Appointment of Managing Directors to each of the divisional subsidiaries;
- Committee charters and composition;
- Amendments to discretions delegated by the Board;
- Charitable and political donations;
- Occupational health and safety policy and environmental policy;
- 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;
- Terms and conditions of the appointment of Directors and the Chief Executive Officer; and
- Employee share schemes 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.

### Performance Evaluation

In accordance with the Board Charter, the Directors have undertaken to formally evaluate the performance of the Chief Executive Officer on an annual basis. The purpose of the evaluation of the Chief Executive Officer 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 to more effectively conduct his role;
- Ensure a formal and documented evaluation process; and
- Leave a record of the Board's impression of the performance of the Chief Executive Officer.

The process adopted by the Board to assess the performance of the Chief Executive Officer 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 performance during the evaluation period;
- Participants are encouraged to provide commentary;
- The evaluation tables are then provided directly to the Chairman of the Board and upon review the Chairman may decide to provide an average ranking for each category; and
- Once final rankings are collated, the Chairman 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

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 Chairman ceases to be deemed independent, then a lead independent Director should be appointed by the Board.

*Right of Access to Information*

The Board may seek further information on any issue, including requesting that particular executives present information on the performance, strategy, outlook or particular assets. Each Director is required to enter into a Deed of Access, Insurance and Indemnity. In addition, each Director has direct access to the Company Secretary.

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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.

*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.

*Right to Independent Legal Advice*
Each Director shall have the ability to request independent professional legal advice where that Director considers it necessary to carry out their duties and responsibilities. Any costs incurred as a result of the Director consulting an independent expert will be borne by the Group, subject to the estimated costs being approved by the Chairman in advance as being reasonable.

The procedure for requesting legal advice is as follows:

— Where a Director considers that he or she may require independent advice, that Director should approach the Company Secretary for a list of current advisers. This is in order to ensure that the Director is able to select an adviser who is independent of the Group;
— The Director should advise the Chairman of the nature of and reasons for the advice being sought, the name of the professional adviser selected by the Director and the fee estimate for the advice;
— The Chairman will consider the proposal on a timely basis and if reasonable authorise the request. The Chairman must not unreasonably withhold such authorisation; and
— The Chairman may delegate the authority to authorise the payment of the professional adviser's expenses to another Director or to the Company Secretary.

*Relationship with Management*
The Board may delegate specific authorities to Board Committees and to management. These Committees and delegated authorities typically make decisions regarding implementation of decisions.

*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 and procedures.

*Training*
Group 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 Chairman's approval.

*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 being the Chief Executive Officer. The independence of the Directors is assessed annually taking into account such matters as 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 and 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.

As at 30 June 2011, Directors deemed to be independent were; Neil Balnaves, Roger Davis, Anne Keating and George Venardos.

Directors' interests in securities are set out in section (h) of the Remuneration Report.

*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 Chairman. 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 Chairman 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.

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*Director Competencies*
The Board has set out 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.

**Nomination Committee**
On 29 October 2009, the Directors replaced the existing Nomination Committee with a combined Remuneration & Nomination Committee. This was implemented due to the relatively infrequent need to call upon the serves 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 & Nomination Committee consists of a minimum of three members with the majority of members required to be independent directors. The Remuneration & 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 & 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;
  - Preferred background;
  - Essential qualifications (if any); and
  - Countries in which to extend the search.
- Interview candidates and prepare a shortlist.
- Select preferred candidates from the shortlist provided in consultation with executive management.
- Agree a preferred candidate for recommendation to the Board.

## Principle 3 – Promote ethical and responsible decision-making

**Ethical Conduct**
The Board has adopted a suite of policies designed to govern employees' behaviour whilst employed by the Group and ensure that ethical business practices 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 Chairman, Board of Directors, Chief Executive Officer and Chief Financial Officer are 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 business division 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.

*Confidentiality*
Employees are required to keep secret during and after their employment, all information obtained about the business and affairs of the Group or its customers, except as required by law.

All documents or written material provided to an 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.

*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.

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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 OH&S laws and 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 the 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;
— 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 relationships established through national law and practice; and
— 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 exist. 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 or 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 include 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 and 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 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.

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*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) and entering 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 Directors of the listed company the Chairman, the times during which they are permitted to trade in securities issued by the Group are:

— Commencing 24 hours after the announcement of quarterly results until 30 days thereafter;
— Commencing 24 hours after the announcement of half yearly results until 30 days thereafter;
— Commencing 24 hours after the announcement of yearly results until 30 days thereafter; and
— Commencing 24 hours after the Annual General Meeting until 30 days thereafter.

Due to reporting timetables, some of the trading windows listed above overlap. 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.

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*Blackout 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.

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 six 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.

## Principle 4 – Safeguard integrity in financial reporting

### Audit and Risk Committee

The Audit & Risk Committee (Committee) was established by the Board on 29 October 2009. The Committee consists 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 a majority of members 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 Chairperson will be a non-executive independent Director appointed by the Board who is not the Chairman of the Board.

Any Director may attend a meeting of the Committee for the purposes of discussion but is not entitled to vote. 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:

*General Risk and Accounting*
— Evaluating and monitoring the internal control environment and Group's risk management framework;
— Serving as an independent and objective party to review the financial information presented by management to securityholders, analysts and the general public;
— Overseeing and appraising the coverage and quality of the audits conducted by the Group's internal and external auditors to ensure the widest coverage possible;
— Approving and monitoring policies, procedures and content of the Group's statutory and management reporting;
— Evaluating and monitoring the Group's fraud management policies and exposures; and
— Monitoring the Group's various disclosure obligations.

*Risk and Internal Control Environment*
— Assessing the overall effectiveness of the Group's risk management, internal control and compliance systems;
— Evaluating the current "control culture" of the Group 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 minimise 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.

*Financial 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 recommendations to the Board on their approval or amendment;
— Evaluating the adequacy and effectiveness of the Group's administrative, operating and accounting policies through communication with management, internal auditors and external auditors;
— Evaluating and monitoring the adequacy of the Group's monthly management and operational reporting;

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— 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

*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; 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;

— Reviewing the fees and terms of engagement of the external auditor, including the proposed audit scope;

— Ensuring there is appropriate communication and coordination 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 internal 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*

— Authorise the Group's compliance framework and assess the effectiveness of the framework.

*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.

## 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.

*Commitment to Continuous Disclosure*

Subject to the exceptions contained in the ASX 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 the 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 Chairman 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 Group's securities.

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

*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.

**Guidance for Employees**
The Board has approved summary guidance designed to assist all employees in meeting their reporting obligations under the Continuous Disclosure Policy. This guidance sets out financial and qualitative materiality thresholds and provides answers to common questions in relation to press speculation and third party announcements.

*Financial Materiality Thresholds*
Any variation of 10-15% or more from previously released full year financial forecasts or market consensus forecasts may be considered to be material and is likely to require immediate disclosure to the market.

In circumstances where a final contract has not been signed but an announcement may be required, consideration is to be given as to whether these limits should apply or be varied.

Where new projects have components from various Group divisions, the aggregate contribution to profit of the project should be considered and if over 5% of Group forecast should be deemed financially material.

*Qualitative Materiality Thresholds*
Any other matters that are potentially market sensitive should be referred to the Company Secretary for consideration. Examples would include:

— Changes at a senior management level;
— A change in accounting policy; and
— An agreement between the Group and a Director (or related party of the Director).

*Announcements in Response to a Third Party*
In accordance with the Continuous Disclosure Policy and specifically requirements to avoid a false market in the Group's securities, the Group has adopted differing approaches in relation to third party announcements. If the third party is an ASX listed entity, then the Group will consider issuing a release to ensure the accuracy of the information provided to the market. It is however, acknowledged that third party releases on the ASX are automatically tagged to the AAD symbol if they affect the Group.

Press releases issued by a non-listed third party entity should not cause the Group to issue an ASX release unless it would have done so under the materiality thresholds.

Speculation in the press should only cause the Group to issue an ASX announcement if it would have done so under the materiality thresholds listed above or the press speculation is misleading and may be seen to result in a false market of AAD securities.

The Group may issue an ASX release in response to press speculation if requested by the ASX regardless of the level of materiality.

*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 securityholders and other interested parties.

## Principle 6 – Respect the rights of shareholders

**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 at www.ardentleisure.com.

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 briefings are posted to the Group's website. Other information of relevance to securityholders 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 become available on the website. The default option for receiving the annual report is via the Group's website at www.ardentleisure.com.

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## 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 financial reports are lodged, generally in August each year. The Board aims to choose a date, venue and time considered convenient to the greatest number of 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.

The Board will request the auditor to attend each AGM to answer questions about the conduct of the audit and the preparation and contents of the Auditor's Report.

## Investor Benefits 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 OH&S, sustainability and the environment.

The SSE Committee monitors the effectiveness of the Group's OH&S policies and the operational risk management framework including drafting, implementing, monitoring and recommending improvements. The SSE Committee also reviews the adequacy of existing OH&S resources as well as current and possible future regulations.

Periodic internal and external reviews of OH&S and operational risks are undertaken and the results discussed with management. These reviews include the process for identification and assessment of OH&S risks and the adequacy of existing risk management systems.

In the field of sustainability and the environment, the SSE Committee reviews the Group's policies, procedures and reporting in relation to sustainability and monitors the adequacy of resources applied to sustainability as well as existing and possible future regulations. The SSE Committee does 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 an annual 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 |

*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 and consequence of the risk based on the current and existing processes. Risks are evaluated and ultimately allocated to one of four distinct categories of Extreme, High, 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*

During the year, the Group's senior executives undertook a third party facilitated risk gap analysis designed to identify any material risks that had not otherwise been included in the risk review process.

## 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 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.

## Principle 8 – Remunerate fairly and responsibly

## Remuneration & Nomination Committee

On 29 October 2009, the Directors replaced the existing Remuneration Committee with a combined Remuneration & Nomination Committee. This was implemented due to

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the relatively infrequent need to call upon the Nomination Committee. The revised Remuneration & Nomination Committee charter retains broadly the same items as the previous version.

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 & 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 ASX 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 Remuneration Report on pages 26 to 42.

*Diversity Policy*

On 30 June 2010, the ASX Corporate Governance Council introduced three new recommendations relating to diversity within listed entities. Listing Rule 3.2 now requires that ASX listed entities establish a diversity policy (including a requirement to set and assess measureable targets for achieving gender diversity) and that a summary of this policy is disclosed in the annual report.

Although the ASX amendments apply for financial years commencing after 1 January 2011, the Board of Directors resolved to adopt the ASX recommendations for the financial year ended 30 June 2011. 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. Accordingly, the Directors agreed to target an increase in female participation at a managerial level across the Group from 36% in 2010 to 50% in 2015.

| | Female | | Male | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Board of Directors | 1 | 20 | 4 | 80 |
| Senior Management | 82 | 39.4 | 126 | 60.6 |
| All Employees | 3,524 | 63.3 | 2,045 | 36.7 |

The Group supports a number of initiatives aimed at achieving the target increase including;

- Formal flexible working arrangements;
- Paid maternity leave;
- Executive mentoring program;
- Diversity training and education program; and
- Analysis of male dominated employment areas and targeting recruitment.

# 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 for Ardent Leisure Group (Group) for the year ended 30 June 2011. The Group comprises:

— Ardent Leisure Trust (Trust) as the parent entity and its controlled entities; and
— Ardent Leisure Limited (ALL) 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 is Level 16, 61 Lavender St, 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 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 (Chairman)
- Roger Davis
- Anne Keating
- Greg Shaw
- George Venardos.

### 2 Principal activities

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

### 3 Distributions

The distribution of income for the year ended 30 June 2011 was 11.5 cents (2010: 10.75 cents) per stapled security which was paid by the Trust. An interim distribution of 6.5 cents (2010: 6.5 cents) per stapled security was paid in February 2011. A final distribution for the year ended 30 June 2011 of 5.0 cents (2010: 4.25 cents) per stapled security will be paid in August 2011. A provision has not been recognised in the financial statements at 30 June 2011 as this distribution had not been declared at the reporting date.

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## 4 Review of operations and significant changes in the state of affairs

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

| | Segment Revenues 2011 $'000 | Segment Revenues 2010 $'000 | Segment EBIT* 2011 $'000 | Segment EBIT* 2010 $'000 |
|---|---|---|---|---|
| Theme Parks | 101,550 | 98,617 | 27,480 | 26,576 |
| Marinas | 23,651 | 22,684 | 10,295 | 8,856 |
| Bowling centres | 108,680 | 102,015 | 7,072 | 8,358 |
| Family entertainment centres | 50,587 | 51,978 | 6,455 | 4,969 |
| Health clubs | 90,022 | 73,385 | 12,855 | 9,040 |
| Other | 1,366 | 1,721 | (57) | (903) |
| Total | 375,856 | 350,400 | 64,100 | 56,896 |
| Other expenses | | | (11,499) | (22,866) |
| Borrowing costs | | | (15,922) | (16,942) |
| Net tax benefit | | | 1,004 | 749 |
| | | | 35,675 | 17,837 |
| Finance benefit attributable to non-controlling interest holders | | | 468 | 1,223 |
| Profit/(loss) | | | 36,143 | 19,060 |
| Core earnings | | | 39,351 | 34,475 |

* Segment EBIT excludes pre-opening expenses, straight lining of fixed rent increases, IFRS depreciation, amortisation of Goodlife intangible assets and impairment of goodwill

Revenue from operating activities has increased by $25.5 million, 7.3% to $375.9 million, mainly due to the following factors:

- Revenue from the theme parks has increased by $2.9 million, mainly due to the full year revenue contribution of Sky Point (previously known as QDeck), in Surfers Paradise, Queensland which was acquired on 18 December 2009. This resulted in a $3.4 million increase in revenue compared to the prior period;
- Revenue from the marina division has increased by $1.0 million with increases in water and land occupancies;
- Revenue from the bowling centres has increased by $6.7 million, assisted by the successful opening of four new centres between April and September 2010;
- Revenue from the family entertainment centres has decreased by $1.4 million. Revenue has declined due to foreign exchange rate movement, however, the continued recovery of the US economy and a number of "limited time offers" have increased the underlying US$ revenues by US$3.0 million to US$50.6 million; and
- Revenue from the health clubs division has increased by $16.6 million mainly due to the acquisition of a portfolio of seven health clubs in Western Australia (Zest WA) on 12 April 2010, the acquisition of three clubs in Victoria (Recreation) on 7 March 2011 and the acquisition of one club in Western Australia (Cottesloe) on 18 April 2011. In addition, there has been growth in the like for like revenues of existing clubs.

Profit attributable to stapled security holders for the year increased by $17.1 million, mainly due to the following factors:

- Due to the revenue factors outlined above, divisional EBIT increased by $7.2 million;
- Revaluation gains on investment properties, being the seven marinas and the excess land at Dreamworld, in the current year of $7.6 million compared to a revaluation of $3.3 million in the prior year;
- The impairment of goodwill in the current period was $0.5 million compared to $8.5 million impairment in the prior period. The prior period related to an impairment in the intangible asset recognised on acquisition of the Manager;
- A gain on sale of assets of $2.1 million was recorded in the prior year mainly due to the sale and leaseback of a number of AMF freehold properties compared to only $0.2 million in the current year;
- In the prior period, a loss before tax of $3 million was recorded on the write-off of costs on aborted development projects primarily in the United States;
- A change in the accounting standards on 1 July 2009 requires acquisition costs to be expensed rather than capitalised as part of goodwill. The Group incurred $2.5 million of acquisition costs associated with the internalisation of the Manager and the acquisition of Sky Point during the prior period compared to $0.1 million in the current period;
- Pre-opening costs of $0.7 million were recorded in the current period compared to $0.5 million in the prior period;
- Borrowing costs decreased by $1.0 million to $15.9 million due to a reduction in the debt balance and the termination of the US interest rate swap offset by an increase in interest rates;
- Tax expense increased by $1.8 million; and
- Reduction in finance benefit attributable to non-controlling interests due to the sale of the remaining boats of $0.8 million.

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4 Review of operations and significant changes in the state of affairs (continued)

Core earnings (as defined in Note 11 to the financial statements) represents the earnings of the Group after adding back unrealised items such as the performance fee, unrealised gains or losses on derivatives, unrealised property valuation gains and losses and one off capital items. Core earnings have increased by $4.9 million, 14.1%, to $39.4 million.

On 7 March 2011, the Group purchased three health clubs in Victoria for $10.1 million, of which $5 million was deferred between 6 to 12 months from settlement. On 18 April 2011, the Group purchased one health club in Western Australia for $1.5 million, of which $0.5 million was deferred for 12 months from settlement.

During the year, the final syndicate for the fractional boat ownership business ceased operation and the boat was sold. The results of this business were not material to the Group.

The Group's strategy is to focus on low cost affordable leisure segments with mass market appeal. Over the past six years, the Group has diversified through the creation of five core operating divisions, being theme parks, marinas, bowling centres, health clubs and family entertainment centres in the US.

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

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

## 5 Value of assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Value of total assets | 689,437 | 696,979 | 628,385 | 631,442 |
| Value of net assets | 420,776 | 423,701 | 416,397 | 422,586 |

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

## 6 Interests in the Group

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

| | Consolidated 2011 | Consolidated 2010 |
|---|---|---|
| Stapled securities on issue at the beginning of the year | 308,768,308 | 241,064,789 |
| Stapled securities issued | 9,038,510 | 67,519,096 |
| Stapled securities sold as part of ALL's executive securities plan | 341,160 | 184,423 |
| Stapled securities on issue at the end of the year | 318,147,978 | 308,768,308 |

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## 7 Information on current Directors

**Neil Balnaves, AO**
Chairman
Appointed: Ardent Leisure Management Limited – 26 October 2001. Ardent Leisure Limited – 28 April 2003
Age: 67

Neil Balnaves was appointed as Chairman of the Group in 2001. Neil has worked in the entertainment and media industries for over 46 years, previously holding the position of Executive Chairman of Southern Star Group Limited which he founded. Neil is a Trustee Member of Bond University and has an Honorary Degree of Doctor of the University. Neil is a 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 Director of Technicolor Australia Limited and a board member of the Surf Life Saving Foundation. He is a Trustee of the Mosman Public Art Trust, serves on the boards of numerous advisory and community organisations and is a Foundation Fellow of the Australian Institute of Company Directors.

In 2006, Neil established The Balnaves Foundation, a philanthropic fund that disperses more than $2 million annually in supporting eligible organisations that aim to create a better Australia through education, medicine, and the arts with a focus on young people, the disadvantaged and Indigenous communities. In 2010, Neil was appointed an Officer of the Order of Australia for his services to business and philanthropy.

Neil is non-executive Chairman of the Group, Chairman of the Remuneration and Nomination Committee and is a member of the Audit & Risk Committee.

*Former listed directorships in last three years:*
None

**Interest in stapled securities**
298,105

**Anne Keating**
Director
Appointed:
Ardent Leisure Management Limited – 30 March 1998.
Ardent Leisure Limited – 28 April 2003
Age: 57

Anne Keating was appointed a Director of Ardent Leisure Management Limited in 1998. Ms. Keating is currently a Director of REVA Medical Inc., Goodman Group, GI Dynamics, Inc., Clearview Wealth Limited and is a member of the Advisory Council of Royal Bank of Scotland (Australia). Anne is also a Director of the Garvan Institute of Medical Research, a Trustee of the Centennial Parklands and Moore Park Trust and a Governor of the Cerebral Palsy Alliance Research Foundation.

Anne's former directorships include STW Communications Group Limited, Insurance Australia Group Limited, NRMA, the WorkCover Authority of NSW, the Tourism Task Force, Spencer Street Station Redevelopment Holdings Limited and the Victor Chang Cardiac Research Institute. Ms. Keating was the General Manager of Australia for United Airlines from 1993 to 2001.

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

*Former listed directorships in last three years:*
STW Communications Group Limited

**Interest in stapled securities**
62,743

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## 7 Information on current Directors (continued)

**Roger Davis**
Director
Appointed: Ardent Leisure Management Limited – 1 September 2009. Ardent Leisure Limited –28 May 2008
Age: 59

Roger Davis was appointed a Director of the Company in 2008. Roger brings over 30 years experience in banking and investment banking in Australia, the US and Japan to the Board. Roger is presently a Consulting Director at Rothschild (Australia) Limited and holds directorships at Aristocrat Leisure Limited, The Trust Company Limited, TIO Ltd and Chartis Australia Insurance Limited. He is also a director of Charter Hall Office Management Limited, manager for Charter Hall Office REIT, and Bank of Queensland. 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, Magellan Financial Group Ltd and Citicorp Securities Inc. in the United States.

Roger holds a BEc (Hons) from the University of Sydney and an MPhil from the University of Oxford.

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

*Former listed directorships in last three years:*
None

**Interest in stapled securities**
50,857

**George Venardos**
Director
Appointed: Ardent Leisure Management Limited – 22 September 2009. Ardent Leisure Limited – 22 September 2009
Age: 53

George Venardos was appointed a Director of both the Company and the Manager in September 2009 and brings extensive financial management experience to the Board derived from his previous roles. George was Chief Financial Officer of Insurance Australia Group from 1998 to 2008 and currently holds non-executive directorships with Bluglass Ltd, IOOF Ltd, Miclyn Express Offshore Limited, Guild Group Holdings Ltd and TIO Ltd.

George is a Fellow of The Institute of Chartered Accountants in Australia and holds a commerce degree from the University of New South Wales.

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

*Former listed directorships in last three years:*
Australian Wealth Management Ltd

**Interest in stapled securities**
84,581

**Greg Shaw**
Director and Chief Executive Officer
Appointed: Ardent Leisure Management Limited – 22 September 2009. Ardent Leisure Limited – 22 September 2009
Age: 52

Greg Shaw was appointed a Director in September 2009 following the internalisation of the Manager of the Trust. Greg is the Chief Executive Officer and Managing Director of the Group and was appointed to this role in 2002. Prior to joining the Group, Greg was the Managing Director of Port Douglas Reef Resorts Limited, a major resort owner and property development group. In this role, Greg was awarded the Australian Chartered Accountant in Business Award for a $6 million profit in turnaround in two years. Greg qualified as a Chartered Accountant in 1983.

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

*Former listed directorships in last three years:*
None

**Interest in stapled securities**
159,277

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## 8 Meetings of Directors

The attendance at meetings of Directors of the Manager 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 | 9 | 8 | 4 | 4 | 8 | 7 | — | — |
| Anne Keating | 9 | 9 | 1 | 0 | 8 | 8 | — | — |
| Roger Davis | 9 | 9 | 4 | 4 | 8 | 7 | 4 | 4 |
| George Venardos | 9 | 9 | 4 | 4 | 6 | 6 | 4 | 4 |
| Greg Shaw | 9 | 8 | — | — | — | — | 4 | 3 |

## 9 Company Secretary

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

Alan has over 12 years of experience as a Company Secretary and prior to joining the Group, held positions at Brookfield Multiplex Limited and Orange S.A., the mobile telecommunications subsidiary of France Telecom S.A. Alan holds a degree in business studies and is a Fellow of the Institute of Chartered Secretaries and Administrators.

## 10 Remuneration report

Due to its corporate structure, the Group is not required to present a remuneration report under the Corporations Act 2001. The Group voluntarily discloses the unaudited details of senior executive remuneration. The Manager and the Directors of ALL present the remuneration report for the Group for the year ended 30 June 2011.

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

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

### a) Key remuneration objectives

During the financial year the Remuneration and Nomination Committee engaged consultants from Deloitte Touche Tomatsu to review the remuneration structure in place for the Group's KMP and to undertake a benchmarking exercise on the remuneration packages of the Managing Director and the Chief Financial Officer. These remuneration packages are set out in the table below:

| Position | Base salary | Short term incentive (STI) | Deferred Short term incentive (DSTI) | Long term incentive (LTI) | Total target remuneration |
|---|---|---|---|---|---|
| Chief Executive Officer | $750,000 | 50% | 25% | 37.5% | $1,593,750 |
| Chief Financial Officer | $400,000 | 50% | 25% | 37.5% | $850,000 |

It should be noted that the STI, DSTI and LTI figures set out above are considered "at risk" and will only be paid if performance targets have been achieved.

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## 10 Remuneration report (continued)

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

#### i) Non-Executive Directors

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

Non-Executive Directors are paid solely by the way of directors' fees and do not participate in any equity or short term cash based incentives schemes. Non-Executive Directors bring a depth of experience and knowledge to their roles and are a key component in the effective operation of the Board. The maximum aggregate of directors' fees payable to Directors of the Group is set out in clause 16.1 of the Constitution of Ardent Leisure Limited. The maximum total aggregate level of directors' fees payable by the Group is $740,000 per annum and was set by securityholders at the 29 October 2009 general meeting.

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

| Position | Annual fee |
|---|---|
| Chairman | $175,000 |
| Other Non-Executive Director | $110,000 |
| Audit & Risk Committee – Chair | $20,000 |
| – Member | $15,000 |
| Remuneration & Nomination Committee membership | $7,500 |
| Other Board Committee membership | $7,500 |

#### ii) Executive pay

The executive pay and reward framework has three components:

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

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

| Base Pay | Performance incentives | | |
|---|---|---|---|
| | STI | DSTI | LTI |
| A total employment cost which can be made up of a mix of cash salary, non-financial benefits such as provision of a motor vehicle and employer superannuation contributions. | Cash performance bonus set against pre-determined key performance indicators | Equity incentive based upon actual cash bonus paid and deferred for 1 and 2 years. | Equity incentive aligned to targeted investor returns. |
| SECURE | AT RISK | AT RISK | AT RISK |

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## 10 Remuneration report (continued)

*Base pay*
Base pay includes salary, employer superannuation contributions and non-cash benefits such as provision of 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 take the form of either short term incentive (STI), Deferred short term incentive (DSTI) or long term incentive (LTI).

*STI*
The STI or bonus program is designed to reward executives for achievement of a number of key performance indicators (KPIs). These KPIs are usually based on Group, individual business and personal objectives and are not necessarily financial in nature. Elements of risk mitigation, compliance and strategic initiatives can all be taken into account when setting an executive's KPIs. If an executive achieves their KPIs and should the Group or relevant division achieve a pre-determined profit target, then cash bonuses are awarded by the Remuneration and Nomination Committee. These bonuses are traditionally payable in cash by 30 September each year. Using a profit target ensures variable award is only available when value has been created for investors and when profit is consistent with the Group's business plan.

Maximum achievable awards to KMP under the STI range between 25% and 50% of an executive's base salary (including superannuation) dependent upon the executive's position.

*DSTI*
The DSTI program was established by the Directors on 16 December 2010 to provide a retention incentive for key employees. The DSTI is linked to the actual achievement of KPIs under the STI with a percentage of the actual STI paid to an executive being matched in performance rights to acquire fully paid Group stapled securities for $nil exercise price. The performance rights issued under the DSTI vest in two equal tranches in 12 months and 24 months.

It should be noted that KMP are required to forego a component of their LTI entitlement in order to participate in the DSTI. In this way, a component of the LTI is simply moved into the DSTI and overall remuneration packages remain broadly unchanged.

*LTI*
The Long Term Incentive Plan (LTIP) was established by the Board of Directors in 2009 to replace the Executive Securities Plan and to take into account changes to the Australian taxation regime in relation to employee share plans. Awards of performance rights under the LTIP range between 10% and 37.5% of an executive's base salary (including superannuation) dependent upon the executive's role. Further details of the LTIP are set out in section (g) below.

iii) Alignment with securityholder 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, short term and long term incentives.

In the 2011, 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 new DSTI is aligned to these KPIs and as a two year retention tool ensures that earnings targets are not achieved at the expense of long term profitability and growth.

The LTIP further aligns executives' remuneration with long term investor returns through the total shareholder return performance hurdle. 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 ASX Small Industrials index.

### c) Details of remuneration – key management personnel

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. Prior to the internalisation of the Manager of 1 September 2009, the Manager and the Directors of ALL met the definition of KMP as they had this authority in relation to the activities of the Group. These powers had not been delegated by the Manager or Directors of ALL to any other person. The management fee paid to the Manager is disclosed in Note 7 of the financial statements.

For the year ended 30 June 2011, KMP is considered to also include the Chief Executive Officer, Greg Shaw, the Chief Financial Officer, Richard Johnson, as well as other senior executives employed by the Group.

Details of the remuneration of KMP of the Group for 2011 and 2010 are set out in the tables on the following pages. The tables set out the total cash benefits paid to the KMP in the relevant period and under the heading "Security Based Payments", shows a component of the fair value of the performance rights. The fair value of the performance rights at grant date is recognised over the vesting period as an employee expense. Further details of the fair value calculations are set out in sections (e), (f) and (g).

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## 10 Remuneration report (continued)

| 2011 | Short-term benefits | | Post-employment benefits | | Other long-term benefits | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary $ | Cash bonus $ | Super-annuation $ | Retirement $ | Retention $ | Other $ | Termination $ | Total cash payment $ | Security-based payment $ | Total $ | Security-based payment % of total |
| ***Executive Directors*** | | | | | | | | | | | |
| Greg Shaw [1] | | | | | | | | | | | |
| Chief Executive Officer | 700,000 | 226,875 | 50,000 | — | — | — | — | 976,875 | 357,422 | 1,334,297 | 26.8% |
| ***Independent Directors*** | | | | | | | | | | | |
| Neil Balnaves, AO | 182,300 | — | 15,200 | — | — | — | — | 197,500 | — | 197,500 | — |
| Anne Keating | 113,020 | — | 10,172 | — | — | — | — | 123,192 | — | 123,192 | — |
| Roger Davis | 128,440 | — | 11,560 | — | — | — | — | 140,000 | — | 140,000 | — |
| George Venardos [2] | 131,613 | — | 11,845 | — | — | — | — | 143,458 | — | 143,458 | — |
| ***Executives*** | | | | | | | | | | | |
| Richard Johnson [3] | | | | | | | | | | | |
| Chief Financial Officer | 375,000 | 131,000 | 25,000 | — | — | — | — | 531,000 | 193,922 | 724,922 | 26.7% |
| Noel Dempsey [4] | | | | | | | | | | | |
| CEO – Theme Parks | 321,174 | 41,038 | 13,826 | — | — | — | — | 376,038 | 28,530 | 404,568 | 7.1% |
| Roy Menachemson | | | | | | | | | | | |
| CEO – Development | 325,850 | 161,875 | 50,000 | — | — | — | — | 537,725 | 80,484 | 618,209 | 13.0% |
| Jordan Rodgers | | | | | | | | | | | |
| CEO – Bowling | 311,801 | 59,063 | 15,199 | — | — | — | — | 386,063 | 100,906 | 486,969 | 20.7% |
| Greg Oliver [5] | | | | | | | | | | | |
| CEO – Health Clubs | 305,863 | — | 15,199 | — | — | — | — | 321,062 | 37,269 | 358,331 | 10.4% |
| Charlie Keegan [6] | | | | | | | | | | | |
| CEO – Main Event | 248,543 | 40,333 | — | — | — | — | — | 288,876 | 52,887 | 341,763 | 15.5% |
| Craig Karpin [7] | | | | | | | | | | | |
| CEO – Marinas | 41,148 | — | 3,849 | — | — | — | — | 44,997 | (13,507) | 31,490 | (42.9%) |
| Marcus Anketell [8] | | | | | | | | | | | |
| CEO – Marinas | 78,723 | — | 4,870 | — | — | — | — | 83,593 | — | 83,593 | — |
| | **3,263,475** | **660,184** | **226,720** | **—** | **—** | **—** | **—** | **4,150,379** | **837,913** | **4,988,292** | **16.8%** |

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## 10 Remuneration report (continued)

| 2010 | Salary $ | Cash bonus $ | Super-annuation $ | Retirement $ | Retention $ | Other $ | Termination $ | Total cash payment $ | Security-based payment $ | Total $ | Security-based payment % of total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Short-term benefits | | Post-employment benefits | | Other long-term benefits | | | | | |
| *Executive Directors* | | | | | | | | | | | |
| Greg Shaw [(1)] | | | | | | | | | | | |
| Chief Executive Officer | 580,264 | — | 44,736 | — | — | — | — | 625,000 | 120,600 | 745,600 | 16.2% |
| John Wright [(9)] | — | — | — | — | — | — | — | — | — | — | — |
| Simon Jones [(9)] | — | — | — | — | — | — | — | — | — | — | — |
| *Independent Directors* | | | | | | | | | | | |
| Neil Balnaves, AO | 174,302 | — | 15,906 | — | — | — | — | 190,208 | — | 190,208 | — |
| Anne Keating | 104,745 | — | 12,130 | — | — | — | — | 116,875 | — | 116,875 | — |
| Roger Davis | 133,965 | — | 12,285 | — | — | — | — | 146,250 | — | 146,250 | — |
| George Venardos [(2)] | 98,006 | — | 8,821 | — | — | — | — | 106,827 | — | 106,827 | — |
| George Bennett [(10)] | 68,333 | — | — | — | — | — | — | 68,333 | — | 68,333 | — |
| *Executives* | | | | | | | | | | | |
| Richard Johnson [(3)] | | | | | | | | | | | |
| Chief Financial Officer | 314,232 | — | 19,101 | — | — | — | — | 333,333 | 64,320 | 397,653 | 16.2% |
| Noel Dempsey [(4)] | | | | | | | | | | | |
| CEO – Theme Parks | 320,539 | 82,468 | 14,461 | — | — | — | — | 417,468 | 26,934 | 444,402 | 6.1% |
| Roy Menachemson | | | | | | | | | | | |
| CEO – Development | 292,739 | 148,750 | 72,261 | — | — | — | — | 513,750 | 25,215 | 538,965 | 4.7% |
| Jordan Rodgers | | | | | | | | | | | |
| CEO – Bowling | 300,539 | 78,750 | 13,256 | — | — | — | — | 392,545 | 36,081 | 428,626 | 8.4% |
| Leon McNiece [(11)] | | | | | | | | | | | |
| CEO – Health Clubs | 304,291 | 49,350 | 13,256 | — | — | — | — | 366,897 | (43,761) | 323,136 | — |
| Greg Oliver [(5)] | | | | | | | | | | | |
| CEO – Health Clubs | 21,434 | — | 1,205 | — | — | — | — | 22,639 | — | 22,639 | — |
| Charlie Keegan [(6)] | | | | | | | | | | | |
| CEO – Main Event | 293,558 | 59,425 | — | 860 | — | — | — | 353,843 | 6,124 | 359,967 | 1.7% |
| Craig Karpin [(7)] | | | | | | | | | | | |
| CEO – Marinas | 183,556 | 41,925 | 26,384 | — | — | — | — | 251,865 | 13,507 | 265,372 | 5.1% |
| | **3,190,503** | **460,668** | **253,802** | **860** | **—** | **—** | **—** | **3,905,833** | **249,020** | **4,154,853** | **6.0%** |

(1) Appointed a Director on 22 September 2009. Prior to 1 September 2009, Greg Shaw was employed by Macquarie and so remuneration paid prior to this date is not included in the table above as it was payable by Macquarie. In year ended 30 June 2010, stapled security benefits were accrued based on anticipated benefits issued in the year ended 30 June 2010 but the grant of performance rights was still subject to security holder approval in accordance with ASX Listing Rules. As at 30 June 2011, the grant of the performance rights for both those issued in the year ended 30 June 2010 and 2011 had been approved.

(2) Appointed a Director on 22 September 2009.

(3) Prior to 1 September 2009, Richard Johnson was employed by Macquarie and so remuneration paid prior to this date is not included in the table above as it was payable by Macquarie.

(4) NoelDempsey resigned from the Group on 31 July 2011.

(5) Greg Oliver joined the Group as CEO of the health club division on 7 June 2010 and is considered KMP from this date.

(6) Charlie Keegan is paid in US$. For the purposes of the remuneration report, the salary disclosed above is calculated at the year end exchange rate for each year being 2011: 1.0717 (2010: 0.8414).

(7) Craig Karpin resigned on 18 August 2010.

(8) Marcus Anketell was appointed CEO of the marina division on 1 February 2011 and is considered KMP from this date.

(9) Employed by Macquarie and none of their salaries were recharged to the Group. John Wright resigned as a Director of the Manager and ALL on 1 September 2009. Simon Jones resigned as a Director of the Manager on 1 September 2009.

(10) George Bennett resigned as a Director on 28 February 2010.

(11) Leon McNiece resigned on 6 June 2010.

Prior to 1 September 2009, the Manager was a wholly owned subsidiary of Macquarie Group Limited and therefore directors' fees charged to the Manager prior to this date were payable by Macquarie and so are not included in the table above. The remuneration for Neil Balnaves, George Bennett and Anne Keating excludes $24,617 (2009: $178,000) for directors' fees paid or payable by the Manager and not recharged to the Group. The remuneration for Neil Balnaves, George Bennett and Anne Keating includes $16,666 (2009: $100,000) for compliance fees and Audit & Risk Committee fees incurred before the internalisation and paid by the Manager to the Independent Directors. These fees are not included in the Directors' fees pool mentioned in section 10(b)(ii) of the Directors' report as these fees were not paid by ALL or its subsidiaries.

No termination benefits were paid during the current or preceding 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. This amount is based on the fair value of the equity instruments at the date of the grant rather than at vesting date or at year-end for those instruments not yet vested. During the year, no plan securities or performance rights vested (2009: nil) to KMP. 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 $138,000 to $111,000.

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## 10 Remuneration report (continued)

### d) Services 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 provision 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.

**Greg Shaw**
Chief Executive Officer
Initial Term
3 years commencing 1 September 2009 with automatic renewal on a year by year basis thereafter.
Base Salary
$750,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless the executive gives the Group 6 months notice in writing, or the Group gives the executive 12 months notice in writing.

**Richard Johnson**
Chief Financial Officer
Initial Term
3 years commencing 1 September 2009 with automatic renewal on a year by year basis thereafter.
Base Salary
$400,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives 6 months notice in writing.

**Noel Dempsey**
CEO – Theme Parks
Initial Term
No fixed term.
Base Salary
$335,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

**Roy Menachemson**
CEO – Development
Initial Term
No fixed term.
Base Salary
$375,850 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives six months notice in writing.

**Jordan Rodgers**
CEO – Bowling
Initial Term
No fixed term.
Base Salary
$327,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

**Greg Oliver**
CEO – Health Clubs
Initial Term
No fixed term.
Base Salary
$327,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

**Charlie Keegan**
CEO – Main Event
Initial Term
Contract automatically renews on a year by year basis.
Base Salary
U$275,000 for the year ended 30 June 2011.
Termination
The executive may give 60 days notice for voluntary termination or 30 days for Good Reason as defined in the contract. The Group may terminate the executive at any time. If termination is for reason other than misconduct or for Good Reason then the Group must pay a severance payment equal to 12 months salary.

**Marcus Anketell**
CEO – Marinas Division
Initial Term
No fixed term.
Base Salary
$200,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

All base salary amounts are inclusive of any superannuation payment and will be reviewed annually. In addition to the base salary above, Greg Oliver is guaranteed an STI of 30% of his base salary for the first year of his employment being year ending 30 June 2011. There are no contracted termination benefits payable to any KMP except for normal contractual base salary to the end of the KMP's employment.

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## 10 Remuneration report (continued)

### e) Executive securities plan (ESP)

***Who can participate?***
All employees were eligible for participation at the discretion of the Board. This plan has now been superseded by the LTIP.

***Types of securities issued?***
Fully paid stapled securities purchased on market through a non-recourse loan provided by the Trust.

***What restrictions are there on the securities?***
As the securities are issued in the name of the recipient a trading lock is applied to these and a mortgage granted over the securities to the value of the loan.

***When can the securities vest?***
The plan contemplated that the securities would vest on the 2nd, 3rd and 4th anniversaries of the grant date assuming the vesting conditions had been met.

***What are the vesting conditions?***
Securities would not vest and have their mortgage released unless the Group achieved a pre-determined total shareholder return target by comparison with a pre-defined benchmark index.

***What does total shareholder return (TSR) 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 Benchmark Index?***
The Benchmark Index comprises 50% of the accumulated Property Trust 300 Index and 50% of the accumulated ASX 300 Small Ordinaries Index.

***Did any of the securities vest?***
None of the plan securities have vested since the date of grant.

In October 2006, ALL's ESP was established, whereby eligible executives were provided the opportunity to acquire stapled securities in the Group (referred to as plan securities). Prior to 1 July 2009, security-based compensation benefits were provided to certain employees via the ESP. From 1 July 2009, any future LTI will be provided to executives under the new LTIP. The final plan securities in the scheme were sold in May 2011 with no plan securities vesting to executives.

Under the ESP, the plan securities were acquired at market price and were held in the executives' names. The acquisition cost was funded by a non-recourse loan provided by the Trust, secured by a mortgage over the plan securities. While the plan securities were pledged as security for the loan or were the subject of vesting criteria (detailed below), the plan securities could not be sold, transferred or otherwise disposed of.

One third of the plan securities were to vest on the second, third or fourth anniversaries respectively from the date of grant if the vesting criteria were met on the relevant anniversary.

For the vesting criteria to be met, the executive must have been an employee of the Group at the time, and the total shareholder return (TSR) requirements must have been achieved.

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## 10 Remuneration report (continued)

### Total shareholder return (TSR)

In order to meet the TSR requirement, the Group's TSR was compared to a benchmark index, comprising 50% of the accumulated Property Trust 300 Index and 50% of the accumulated ASX 300 Small Ordinaries Index.

For plan securities to have vested, the Group's TSR must have exceeded the benchmark index. Where the benchmark index was above 12.5%, then the Group's TSR must have exceeded this number for any plan securities to vest. When the benchmark index was below 12.5% and the Group exceeded this number, then the Board had the discretion to allow plan securities to vest.

The loan had a four year term and was subject to interest calculated at the Trust's funding cost. Interest was payable six monthly at the time the distributions were paid on the plan securities. All distributions received by executives on the plan securities were used to pay interest accrued on the loan.

On repayment of the loan, if the value of the plan securities transferred was less than the total amount of the loan owing by the executive to the Trust, no further amount was repayable by the executive.

The loan immediately became repayable on termination of employment. plan securities that had not vested were sold to repay the loan in full. If the plan securities had vested, the loan was repaid within three months from termination date.

*Valuation inputs*

Under the requirement of AASB 2 Share-based Payment, loans granted under the ESP are accounted for as options to employees because of the non-recourse loan feature. Options were granted to executives on a number of different dates. The table below shows the fair value of the options granted on each grant date as well as the factors used to value the option:

| Tranche | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Valuation date | 30 Nov 2006 | 18 Dec 2007 | 7 Jan 2008 | 8 Jan 2008 |
| Expiry date – year 2 | 30 Nov 2008 | 18 Dec 2009 | 7 Jan 2010 | 8 Jan 2010 |
| Expiry date – year 3 | 30 Nov 2009 | 18 Dec 2010 | 7 Jan 2011 | 8 Jan 2011 |
| Expiry date – year 4 | 30 Nov 2010 | 18 Dec 2011 | 7 Jan 2012 | 8 Jan 2012 |
| Underlying stapled security price | $3.00 | $3.65 | $3.39 | $3.45 |
| Exercise price | $3.00 | $3.65 | $3.39 | $3.45 |
| Expected distribution yield | 6% per annum | 6% per annum | 6% per annum | 6% per annum |
| Risk-free interest rate | 5.89% per annum | 7.72% per annum | 7.51% per annum | 7.51% per annum |
| Expected price volatility | 23.5% per annum | 32.8% per annum | 32.8% per annum | 32.8% per annum |
| Employee exit rate | 2% per annum | 0% per annum | 0% per annum | 0% per annum |
| Valuation per Plan Security at issue | 25.7 cents | 57.8 cents | 68.5 cents | 62.5 cents |
| Valuation per option at 30 June 2010 | 0 cents | 0 cents | 0 cents | 0 cents |

*Options granted to KMP*

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

| | Opening balance | Granted as compensation | Exercised | Other changes | Closing balance | Issue price of Plan Securities | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|
| Roy Menachemson | 33,298 | — | — | (33,298) | — | $3.00 | — | — |
| Jordan Rodgers | 45,520 | — | — | (45,520) | — | $3.65 | — | — |
| | **78,818** | — | — | **(78,818)** | — | | — | — |

The options lapsed had nil value at date of lapsing.

## 10 Remuneration report (continued)

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

***Who can participate?***
All employees are eligible for participation at the discretion of the Board.

***Types of securities issued?***
Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.

***Treatment of non-Australian residents***
Due to restrictions on the issue of securities to employees who are not Australian residents, the DSTI contemplates that cash awards will be granted to those executives and will be 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 on the 1st and 2nd financial year ends 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?***
None of the performance rights has reached vesting since the date of grant as the first possible vesting date is the date following the release of the Group's full year financial results.

*Australian Employees*
Since the DSTI was approved in December 2010, long term incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date. The first set of performance rights were granted under the DSTI on 16 December 2010, with the first possible vesting date being the day after the full year results announcement for the year ended 30 June 2011.

The DSTI awards are considered to be equity settled share-based payments as the participants are entitled to the securities as long as they meet the DSTI service criteria.

*Fair value – Australian employees*
The fair value of the performance rights granted under the DSTI is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of each grant of performance rights is determined at each reporting 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.

At each reporting date, the Group is required to revise its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each financial period takes into account the most recent estimate.

*US employees*
Due to restrictions on the issue of securities to US residents, those US executives eligible for the DSTI are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (or 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.

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## 10 Remuneration report (continued)

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

*Fair value – US employees*

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

At each reporting date, the Group revises its estimate of the number of performance rights that are expected to vest and the corresponding number of securities to be acquired. The employee benefit expense recognised each period takes into account the most recent estimate.

*Valuation inputs*

The table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the date of grant:

| DSTI Tranche | 1 |
|---|---|
| Issue date | 16 Dec 2010 |
| Vesting date – year 1 | 31 Aug 2011 |
| Vesting date – year 2 | 31 Aug 2012 |
| Average risk free rate | 4.85% per annum |
| Expected price volatility | 45% per annum |
| Expected distribution yield | 10% per annum |
| Share price at grant date | $1.07 |
| Valuation per right on issue | $0.95 |

The table below shows the fair value of the performance rights in each grant as at 30 June 2011 as well as the factors used to value the performance rights as at 30 June 2011:

| Tranche | 1 |
|---|---|
| Issue date | 6 Dec 2010 |
| Vesting date – year 1 | 31 Aug 2011 |
| Vesting date – year 2 | 31 Aug 2012 |
| Average risk free rate | 4.70% per annum |
| Expected price volatility | 40% per annum |
| Expected distribution yield | 10% per annum |
| Share price at year end | $1.28 |
| Valuation per right at 30 June 2011 | $1.20 |

*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.

## 10 Remuneration report (continued)

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

*Performance rights*

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

| | Opening balance | Granted as compensation | Exercised | Other changes | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Greg Shaw | — | 138,338 | — | — | 138,338 | — | 138,338 |
| Richard Johnson | — | 79,878 | — | — | 79,878 | — | 79,878 |
| Noel Dempsey | — | 50,046 | — | (25,023) | 25,023 | — | 25,023 |
| Roy Menachemson | — | 49,352 | — | — | 49,352 | — | 49,352 |
| Jordan Rodgers | — | 72,028 | — | — | 72,028 | — | 72,028 |
| Greg Oliver | — | 49,848 | — | — | 49,848 | — | 49,848 |
| **Equity-settled** | **—** | **439,490** | **—** | **(25,023)** | **414,467** | **—** | **414,467** |
| Charlie Keegan | — | 52,713 | — | — | 52,713 | — | 52,713 |
| **Cash-settled** | **—** | **52,713** | **—** | **—** | **52,713** | **—** | **52,713** |
| **Total rights issued** | **—** | **492,230** | **—** | **(25,023)** | **467,180** | **—** | **467,180** |

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## 10 Remuneration report (continued)

### g) Long Term Incentive Plan (LTI)

***Who can participate?***
All employees are eligible for participation at the discretion of the Board.

***Types of securities issued?***
Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.

***Treatment of non-Australian residents***
Due to restrictions on the issue of securities to employees who are not Australian residents, the LTIP contemplates that cash awards will be granted to those executives and will be subject to the same performance 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 on the 2nd, 3rd and 4th financial year ends following the grant date assuming the TSR performance hurdle has been met.

***What are the vesting conditions?***
In order for any or all of the performance rights to vest under the TSR performance hurdle, the Group's TSR for the performance period must exceed the 50th percentile of the TSRs of the nenchmark for the same period. A sliding scale of vesting applies above the 50th percentile threshold.

***What does total shareholder return (TSR) 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 benchmark group?***
The benchmark group comprises the ASX Small Industrials Index.

***Did any of the securities vest?***
None of the performance rights has reached vesting since the date of grant.

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

The LTIP awards are considered to be equity settled share-based payments as the participants are entitled to the securities as long as they meet the LTIP service and performance criteria.

*Fair value – Australian employees*
The fair value of the performance rights granted under the LTIP is recognised 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 complex Monte Carlo simulation valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

At each reporting date, the Group is required to revise its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each financial period takes into account the most recent estimate.

*US employees*
Due to restrictions on the issue of securities to US residents, those US executives eligible for the LTIP are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (or 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.

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

At each reporting date, the Group revises its estimate of the number of performance rights that are expected to vest and the corresponding number of securities to be acquired. The employee benefit expense recognised each period takes into account the most recent estimate.

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## 10 Remuneration report (continued)

### g) Long Term Incentive Plan (LTI) (continued)

*Valuation inputs*

The table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the grant date. This valuation is used to value the performance rights granted to Australian employees at 30 June 2011:

| Tranche | 1 | 2 |
|---|---|---|
| Issue date | 4 Dec 2009 | 16 Dec 2010 |
| Vesting date – year 2 | 31 Aug 2011 | 31 Aug 2012 |
| Vesting date – year 3 | 31 Aug 2012 | 31 Aug 2013 |
| Vesting date – year 4 | 31 Aug 2013 | 31 Aug 2014 |
| Average risk free rate | 4.64% per annum | 5.10% per annum |
| Expected price volatility | 55% per annum | 45% per annum |
| Expected distribution yield | 10% per annum | 10% per annum |
| Share price at grant date | $1.64 | $1.07 |
| Valuation per right on issue | $0.89 | $0.52 |

The table below shows the fair value of the performance rights for each grant as at 30 June 2011 as well as the factors used to value the performance rights at 30 June 2011. This valuation is used to value the performance rights granted to US employees at 30 June 2011:

| Tranche | 1 | 2 |
|---|---|---|
| Issue date | 4 Dec 2009 | 16 Dec 2010 |
| Vesting date – year 2 | 31 Aug 2011 | 31 Aug 2012 |
| Vesting date – year 3 | 31 Aug 2012 | 31 Aug 2013 |
| Vesting date – year 4 | 31 Aug 2013 | 31 Aug 2014 |
| Average risk free rate | 4.72% per annum | 4.74% per annum |
| Expected price volatility | 40% per annum | 40% per annum |
| Expected distribution yield | 10% per annum | 10% per annum |
| Share price at year end | $1.28 | $1.28 |
| Valuation per right at 30 June 2011 | $0.34 | $0.81 |

*Performance hurdles*

In order for any or all of the performance rights to vest under the LTIP 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 re-invested at the distribution date and any franking credits (or similar) are ignored.

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## 10 Remuneration report (continued)

### g) Long Term Incentive Plan (LTI) (continued)

*Performance rights*

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

| | Opening balance | Granted as compensation | Exercised | Other changes | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Greg Shaw | 588,974 | 611,413 | — | — | 1,200,387 | — | 1,200,387 |
| Richard Johnson | 314,120 | 362,087 | — | — | 640,207 | — | 640,207 |
| Noel Dempsey | 131,538 | 91,033 | — | (178,725) | 43,846 | — | 43,846 |
| Roy Menachemson | 109,942 | 117,668 | — | — | 227,610 | — | 227,610 |
| Jordan Rodgers | 123,685 | 88,859 | — | — | 212,544 | — | 212,544 |
| Greg Oliver | — | 88,859 | — | — | 88,859 | — | 88,859 |
| Craig Karpin | 65,965 | — | — | (65,965) | — | — | — |
| **Equity-settled** | **1,334,224** | **1,323,919** | **—** | **(244,690)** | **2,413,453** | **—** | **2,413,453** |
| Charlie Keegan | 77,588 | 55,360 | — | — | 132,948 | — | 132,948 |
| **Cash-settled** | **77,588** | **55,360** | **—** | **—** | **132,948** | **—** | **132,948** |
| **Total rights issued** | **1,411,812** | **1,379,279** | **—** | **(244,690)** | **2,546,401** | **—** | **2,546,401** |

### h) Additional information

*Performance of the Group*

Over the past five years, core earnings of the Ardent Leisure Group have increased by 22.3% and the market capitalisation of the Ardent Leisure Group has decreased by 11.7%. Over the same period, compensation paid by the Ardent Leisure Group to KMP including management fees and performance fees paid to the Manager, has decreased by 33.9%. In prior year's, the definition of KMP meant that KMP remuneration only included fees to directors and management fees payable to the Manager. In 2010, following the internalisation of the Manager, the definition of KMP was extended to include executives of both the Manager and ALL. The change in definition of KMP has meant that KMP remuneration significantly increased from 1 July 2009 so that five year comparisons do not correlate to changes in Group earnings and market capitalisation.

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Security close price as at 30 June | $1.28 | $0.99 | $1.42 | $1.49 | $3.30 |
| Half year distribution per Security | $0.065 | $0.065 | $0.065 | $0.096 | $0.080 |
| Distribution reinvestment price | $0.99 | $1.68 | $0.97 | $3.42 | $2.92 |
| Full year distribution per security | $0.050 | $0.043 | $0.078 | $0.100 | $0.091 |
| Distribution reinvestment price | $1.25 | $0.99 | $1.40 | $1.52 | $3.19 |
| Number of securities on issue as at 30 June | 318,147,978 | 309,109,468 | 241,590,377 | 231,791,692 | 216,816,241 |
| Market capitalisation as at 30 June ($ million) | $405.6 | $306.0 | $343.1 | $345.4 | $715.5 |
| Securityholder value of $5,000 Investment as at 30 June 2006 (Based upon an initial security price of $2.50) | $3,992 | $2,796 | $3,702 | $3,450 | $6,974 |

## 10 Remuneration report (continued)

### h) Additional information (continued)

*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 2010 financial year. These bonuses were paid during the year and no amounts were forfeited. No part of the bonuses is payable in future years. Bonuses with respect to performance within the 30 June 2011 financial year have been accrued but are subject to approval by the Group's Remuneration and Nomination Committee before payment.

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

#### DSTI

Under the terms of the initial grant, performance rights under the DSTI were allocated on the basis of a valuation dated 23 August 2010. A valuation difference of $0.13 per performance rights between the allocation date and the grant date was caused by an increase in the Group's security price between these dates and a shorter vesting period.

#### LTI

Under the terms of the initial grant, performance rights under the LTI were allocated on the basis of a valuation dated 11 November 2009. A valuation difference of $0.2033 per performance right between the allocation date and the grant date was caused by an increase in the Group's security price between these dates.

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

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## 10 Remuneration report (continued)

### h) Additional information (continued)

*Details of remuneration: cash bonuses and options (continued)*

The table below sets out minimum and maximum value of the plan securities and performance rights yet to vest.

| | Financial year granted | Vested | Fordeited | Financial years in which most options may vest | | | Minimum total value of grant yet to vest | Maximum total value of grant yet to vest |
|---|---|---|---|---|---|---|---|---|
| | | % | % | Year | Number LTI | Number DSTI | $ | $ |
| Greg Shaw | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 196,325 | 69,169 | — | 975,581 |
| | | — | — | 2013 | 400,129 | 69,169 | — | — |
| | | — | — | 2014 | 400,128 | — | — | — |
| | | — | — | 2015 | 400,128 | — | — | — |
| Richard Johnson | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 104,707 | 39,939 | — | 526,103 |
| | | — | — | 2013 | 213,403 | 39,939 | — | — |
| | | — | — | 2014 | 213,402 | — | — | — |
| | | — | — | 2015 | 108,695 | — | — | — |
| Noel Dempsey | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 43,846 | 25,023 | — | 64,484 |
| | | — | — | 2013 | — | — | — | — |
| | | — | — | 2014 | — | — | — | — |
| | | — | — | 2015 | — | — | — | — |
| Roy Menachemson | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 36,647 | 24,676 | — | 206,312 |
| | | — | — | 2013 | 75,870 | 24,676 | — | — |
| | | — | — | 2014 | 75,871 | — | — | — |
| | | — | — | 2015 | 39,222 | — | — | — |
| Jordan Rodgers | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 41,228 | 36,014 | — | 225,010 |
| | | — | — | 2013 | 70,848 | 36,014 | — | — |
| | | — | — | 2014 | 70,849 | — | — | — |
| | | — | — | 2015 | 29,619 | — | — | — |
| Greg Oliver | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | — | 24,924 | — | 73,453 |
| | | — | — | 2013 | 29,620 | 24,924 | — | — |
| | | — | — | 2014 | 29,620 | — | — | — |
| | | — | — | 2015 | 29,619 | — | — | — |
| Charlie Keegan | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 25,863 | 26,357 | — | 134,219 |
| | | — | — | 2013 | 44,316 | 26,356 | — | — |
| | | — | — | 2014 | 44,315 | — | — | — |
| | | — | — | 2015 | 18,454 | — | — | — |

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## 10 Remuneration report (continued)

### h) Additional information (continued)

*Directors' Interests in Securities*

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

| | Opening balance | Acquired | Disposed | Closing balance |
|---|---|---|---|---|
| Neil Balnaves, AO | 209,043 | 89,062 | — | 298,105 |
| Roger Davis | 20,000 | 30,857 | — | 50,857 |
| Anne Keating | 62,743 | — | — | 62,743 |
| Greg Shaw | 143,294 | 15,983 | — | 159,277 |
| George Venardos | 45,502 | 39,079 | — | 84,581 |
| | **480,582** | **174,981** | **—** | **655,563** |

## 11 Non-audit services

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

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

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

— all non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor; and

— none of the services undermine the general principles relating to auditor independence as set out in Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants.*

## 12 Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 45.

## 13 Events occurring after reporting date

Subsequent to 30 June 2011, a distribution of 5.0 cents per stapled security has been declared by the Board of Directors. The total distribution amount of $15.9 million will be paid on or before 31 August 2011 in respect of the year ended 30 June 2011.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2011.

## 14 Likely developments and expected results of operations

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

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

## 15 Indemnification and insurance of officers and auditor Manager

No insurance premiums are paid for out of the assets of the Trust in regards to 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.

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### 16 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 2011 and fees paid to its related entities during the financial year are disclosed in Notes 7 and 36 to the financial statements.

### 17 Environmental regulations

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

#### *a) Dreamworld*

Dreamworld and WhiteWater World theme parks are subject to various legislative requirements in respect of environmental impacts of their operating activities. The Queensland Environmental Protection Act 1994 regulates all activities where a contaminant may be released into the environment and/or there is a potential for environmental harm or nuisance. In accordance with Schedule 1 of the Environmental Protection Regulation 1998, Dreamworld holds licences or approvals for the operation of a helipad, motor vehicle workshop, train-shed, storage and usage of flammable/combustible goods. During the reporting 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 programme was rolled out throughout the organisation. A mobile phone recycling programme continued throughout the park as well as other local organisations. Proceeds from the programme have also been raised to improve wildlife protection in parts of Africa where mobile phone components are sourced from. A range of existing recycling programmes 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 seven years. Staff also carried out voluntary programmes aimed at the humane treatment of pests, removal of noxious weeds and other sustainability initiatives. These initiatives were additionally integrated into existing staff training programmes to further strengthen environmental culture within the organisation.

Dreamworld's noise conservation programme 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 purposes. There have been no issues or events of non-compliance recorded by management or the regulatory authorities regarding water use.

#### *b) d'Albora Marinas*

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

In July 2002, the NSW 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.

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## 17 Environmental regulations (continued)

*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. On a Federal level, the Environmental Protection Agency (EPA) is responsible for setting national standards for a variety of environmental programmes, and delegates to states the responsibility for issuing permits and for monitoring and enforcing compliance. The Texas Commission on Environmental Quality (TCEQ) is the environmental agency of record for the State.

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 programme has been implemented across the business, assisting with reduction of waste products and meeting environmental standards.

Hazardous substances and dangerous goods are strictly monitored in the business and where possible non-hazardous chemicals are used. All hazardous chemicals and dangerous goods are disposed as per current regulations. All clubs hold site specific chemical registers with safe work methods. Noise emissions do not contravene State regulations or impact on surrounding business or neighbourhoods.

*g) Greenhouse gas and energy data reporting requirements*

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

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

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 first measurement period for this Act ran from 1 July 2008 to 30 June 2009. Based on information obtained, the Group will be required to report for the first time for the year ended 30 June 2011.

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

## 18 Rounding of amounts to the nearest thousand dollars

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

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

**Neil Balnaves, AO**
Director

Sydney
17 August 2011

# Auditor's independence Declaration

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Australia
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## Auditor's independence declaration

As lead auditor for the audit of Ardent Leisure Group for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ardent Leisure Group and the entities they controlled during the period.

Brett Delaney
Partner
PricewaterhouseCoopers

Brisbane
17 August 2011

Liability limited by a scheme approved under the Professional Standards Legislation

# Income Statements
For the year ended 30 June 2011

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Revenue from operating activities | 3 | 375,856 | 350,400 | 73,344 | 68,269 |
| Property valuation gains | | 7,599 | 4,312 | 690 | — |
| Net gain from derivative financial instruments | 4 | 1,389 | 685 | 1,389 | 723 |
| Interest income | | 529 | 430 | 8,039 | 7,370 |
| Gain on sale of assets | | 176 | 2,125 | — | 1,357 |
| Other income | | — | — | 5,406 | 7,541 |
| **Total income** | | **385,549** | **357,952** | **88,868** | **85,260** |
| Expenses | | | | | |
| Purchases of finished goods | | 39,756 | 38,446 | — | — |
| Salary and employee benefits | | 143,445 | 130,739 | — | — |
| Borrowing costs | 5 | 15,922 | 16,942 | 15,514 | 16,236 |
| Property expenses | 6 | 52,227 | 47,300 | 25,847 | 23,759 |
| Depreciation and amortisation | | 30,535 | 28,784 | 11,692 | 9,842 |
| Loss on sale of assets | | — | — | 608 | — |
| Management base fee | 7 | — | 427 | 1,600 | 1,819 |
| Advertising and promotions | | 16,462 | 16,536 | — | — |
| Repairs and maintenance | | 17,224 | 17,086 | — | — |
| Pre-opening expenses | | 697 | 483 | — | — |
| Business acquisition costs | | 137 | 2,545 | 98 | 973 |
| Property valuation losses | | — | 1,039 | — | 43,069 |
| Impairment of goodwill | 20 | 453 | 8,514 | — | — |
| Other expenses | 8 | 32,012 | 32,023 | 15,299 | 4,096 |
| **Total expenses** | | **348,870** | **340,864** | **70,658** | **99,794** |
| Profit/(loss) before tax expense and finance costs attributable to non-controlling interest holders | | 36,679 | 17,088 | 18,210 | (14,534) |
| US withholding tax expense | | 277 | 305 | 277 | 305 |
| Income tax benefit | 10 | 727 | (1,054) | — | — |
| Profit/(loss) before finance costs attributable to non-controlling interest holders | | 35,675 | 17,837 | 17,933 | (14,839) |
| Finance benefits attributable to non-controlling interest holders | | 468 | 1,223 | — | — |
| **Profit/(loss)** | | **36,143** | **19,060** | **17,933** | **(14,839)** |
| Attributable to: | | | | | |
| Stapled security holders | | 36,143 | 19,038 | 17,933 | (14,839) |
| Non-controlling interest holders | | — | 22 | — | — |
| **Profit/(loss)** | | **36,143** | **19,060** | **17,933** | **(14,839)** |
| Distribution in respect of the year ended 30 June | 12 | 36,237 | 32,848 | | |
| Distribution per stapled security in respect of the year ended 30 June (cents) | 12 | 11.50 | 10.75 | | |

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# Statements of Comprehensive Income

For the year ended 30 June 2011

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|---|
| Profit/(loss) | | 36,143 | 19,060 | 17,933 | (14,839) |
| Other comprehensive income: | | | | | |
| Cash flow hedges | 30 | 686 | 871 | 686 | 871 |
| Gain on buy out of joint venture partner | 30 | — | 40 | — | — |
| Revaluation of property, plant and equipment | 30 | 1,071 | (42,165) | — | — |
| Foreign exchange translation difference | 30 | (18,002) | (3,492) | — | — |
| **Other comprehensive income for the period** | | **(16,245)** | **(44,746)** | **686** | **871** |
| **Total comprehensive income for the period** | | **19,898** | **(25,686)** | **18,619** | **(13,968)** |
| Total comprehensive income for the period attributable to: | | | | | |
| Stapled security holders | | 19,898 | (25,708) | 18,619 | (13,968) |
| Non-controlling interest holders | | — | 22 | — | — |
| | | **19,898** | **(25,686)** | **18,619** | **(13,968)** |

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# Balance Sheets
As at 30 June 2011

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 33 | 9,706 | 11,843 | 105 | 75 |
| Receivables | 13 | 7,692 | 2,735 | 4,640 | — |
| Derivative financial instruments | 14 | 1,256 | 420 | 1,256 | 420 |
| Inventories | 15 | 7,596 | 8,170 | — | — |
| Current tax receivables | | 368 | 1,355 | — | — |
| Property held for sale | 16 | 7,651 | 16,500 | - | 16,500 |
| Other | 17 | 5,275 | 8,401 | 326 | 429 |
| **Total current assets** | | **39,544** | **49,424** | **6,327** | **17,424** |
| **Non-current assets** | | | | | |
| Investment properties | 18 | 96,279 | 84,186 | 326,950 | 312,192 |
| Property, plant and equipment | 19 | 413,777 | 417,922 | 103,102 | 97,969 |
| Interest bearing receivables | | — | 606 | 138,719 | 150,456 |
| Livestock | | 424 | 430 | — | — |
| Intangible assets | 20 | 134,116 | 138,643 | 198 | 297 |
| Deferred tax assets | 21 | 5,297 | 5,768 | — | — |
| Investment in controlled entities | 22 | — | — | 53,089 | 53,104 |
| **Total non-current assets** | | **649,893** | **647,555** | **622,058** | **614,018** |
| **Total assets** | | **689,437** | **696,979** | **628,385** | **631,442** |
| **Current liabilities** | | | | | |
| Payables | 23 | 57,951 | 53,202 | 15,198 | 6,717 |
| Derivative financial instruments | 14 | 1,938 | 5,809 | 1,938 | 5,809 |
| Interest bearing liabilities | 24 | 28 | 1,014 | — | — |
| Provisions | 25 | 3,812 | 3,902 | — | — |
| Other | 26 | 1,731 | 2,198 | — | — |
| **Total current liabilities** | | **65,460** | **66,125** | **17,136** | **12,526** |
| **Non-current liabilities** | | | | | |
| Derivative financial instruments | 14 | 1,296 | 2,046 | 1,296 | 2,046 |
| Interest bearing liabilities | 24 | 193,556 | 198,714 | 193,556 | 194,284 |
| Provisions | 25 | 1,391 | 854 | — | — |
| Deferred tax liabilities | 27 | 6,958 | 5,539 | — | — |
| **Total non-current liabilities** | | **203,201** | **207,153** | **194,852** | **196,330** |
| **Total liabilities** | | **268,661** | **273,278** | **211,988** | **208,856** |
| **Net assets** | | **420,776** | **423,701** | **416,397** | **422,586** |
| **Equity** | | | | | |
| Contributed equity | 28 | 404,010 | 394,706 | 393,443 | 384,802 |
| Reserves | 30 | (30,214) | (8,601) | (3,109) | (3,003) |
| Retained profits | 31 | 46,980 | 37,596 | 26,063 | 40,787 |
| **Total equity** | | **420,776** | **423,701** | **416,397** | **422,586** |

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# Statements of Changes in Equity
For the year ended 30 June 2011

| | Note | Share Capital $'000 | Reserves $'000 | Retained Profits $'000 | Minority Interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Consolidated | | | | | | |
| Total equity at 1 July 2009 | | 316,070 | 50,428 | 42,671 | 749 | 409,918 |
| Total comprehensive income | | — | (44,746) | 19,038 | 22 | (25,686) |
| Acquisition of non-controlling interests | | — | — | — | (771) | (771) |
| Security-based payments | 30 | — | 132 | — | — | 132 |
| Contributions of equity, net of issue costs | 28 | 78,385 | — | — | — | 78,385 |
| Sale of stapled securities for ESP | 28 | 251 | — | — | — | 251 |
| Distributions paid and payable | 12 | — | — | (38,528) | — | (38,528) |
| Reserve transfers | 30 | — | (2,206) | 2,206 | — | — |
| Reserve transfer – realised gain on sale of assets | 30 | — | (12,209) | 12,209 | — | — |
| **Total equity at 30 June 2010** | | **394,706** | **(8,601)** | **37,596** | **—** | **423,701** |
| Total comprehensive income | | — | (16,245) | 36,143 | — | 19,898 |
| Security-based payments | 30 | — | 1,326 | — | — | 1,326 |
| Contributions of equity, net of issue costs | 28 | 8,917 | — | — | — | 8,917 |
| Sale of stapled securities for ESP | 28 | 387 | — | — | — | 387 |
| Distributions paid and payable | 12 | — | — | (33,453) | — | (33,453) |
| Reserve transfers | 30 | — | (6,694) | 6,694 | — | — |
| Total equity at 30 June 2011 | | 404,010 | (30,214) | 46,980 | — | 420,776 |
| Parent | | | | | | |
| Total equity at 1 July 2009 | | 313,413 | (3,295) | 93,572 | — | 403,690 |
| Total comprehensive income | | — | 871 | (14,839) | — | (13,968) |
| Security-based payments | 30 | — | 3 | — | — | 3 |
| Contributions of equity, net of issue costs | 28 | 71,146 | — | — | — | 71,146 |
| Sale of stapled securities for ESP | 28 | 243 | — | — | — | 243 |
| Distributions paid and payable | 12 | — | — | (38,528) | — | (38,528) |
| Reserve transfers | 30 | — | (582) | 582 | — | — |
| **Total equity at 30 June 2009** | | **384,802** | **(3,003)** | **40,787** | **—** | **422,586** |
| Total comprehensive income | | — | 686 | 17,933 | — | 18,619 |
| Contributions of equity, net of issue costs | 28 | 8,268 | — | — | — | 8,268 |
| Security-based payments | 30 | — | 4 | — | — | 4 |
| Sale of stapled securities for ESP | 28 | 373 | — | — | — | 373 |
| Distributions paid and payable | 12 | — | — | (33,453) | — | (33,453) |
| Reserve transfers | 30 | — | (796) | 796 | — | — |
| Total equity at 30 June 2011 | | 393,443 | (3,109) | 26,063 | — | 416,397 |

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# Statements of Cash Flows
For the year ended 30 June 2011

| | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 375,899 | 351,185 | 73,172 | 69,046 |
| Payments to suppliers and employees | | (252,948) | (239,467) | — | — |
| Property expenses paid | | (43,053) | (38,220) | (24,205) | (23,512) |
| Other operating expenses paid | | (355) | (6,096) | (2,302) | (6,050) |
| Realised (losses)/gains on derivative financial instruments | | (3,230) | 436 | (3,230) | 436 |
| Interest received | | 592 | 1,197 | 8,099 | 8,137 |
| US withholding tax paid | | (284) | (309) | (284) | (309) |
| Income tax paid | | 817 | 198 | — | — |
| **Net cash flows from operating activities** | **34(a)** | **77,438** | **68,924** | **51,250** | **47,748** |
| **Cash flows from investing activities** | | | | | |
| Payment for property, plant and equipment | | (43,536) | (30,737) | (29,270) | (18,845) |
| Proceeds from sale of plant and equipment | | 3,895 | 3,239 | 72 | 142 |
| Proceeds from sale of land and buildings | | 11,495 | 35,122 | 11,495 | 35,122 |
| Payment for purchase of businesses net of cash acquired | | (5,982) | (35,022) | — | (9,675) |
| Distributions received | | — | — | 5,406 | 7,541 |
| **Net cash flows from investing activities** | | **(34,128)** | **(27,398)** | **(12,297)** | **14,285** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | 2,080,385 | 2,972,326 | 2,085,768 | 2,978,877 |
| Repayment of borrowings | | (2,084,051) | (3,035,497) | (2,084,051) | (3,035,497) |
| Borrowing costs | | (17,046) | (16,422) | (16,537) | (15,730) |
| Proceeds from issue of stapled securities | | — | 66,732 | — | 59,441 |
| Repayment of principal of finance lease | | (33) | (19) | — | — |
| Costs of issue of stapled securities | | (22) | (2,440) | (22) | (2,223) |
| Disposal of stapled securities | | 391 | 254 | 391 | 254 |
| Decrease)/increase in loan from Trust to related parties | | — | — | 42 | (22,182) |
| Distributions paid to stapled security holders | | (24,514) | (26,994) | (24,514) | (26,994) |
| **Net cash flows from financing activities** | | **(44,890)** | **(42,060)** | **(38,923)** | **(64,054)** |
| Net (decrease)/increase in cash and cash equivalents | | (1,580) | (534) | 30 | (2,021) |
| Cash and cash equivalents at the beginning of the year | | 11,843 | 12,205 | 75 | 2,096 |
| Effect of exchange rate changes on cash and cash equivalents | | (557) | 172 | — | — |
| **Cash at the end of the year** | **33** | **9,706** | **11,843** | **105** | **75** |

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## 1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2011 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

### a) Basis of preparation

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

These financial statements consist of the consolidated financial statements of Ardent Leisure Group (Group) which comprises Ardent Leisure Trust (Trust) and its controlled entities including Ardent Leisure Limited (ALL). Although there is no ownership interest between the Trust and ALL, the Trust is deemed to be the parent entity under Australian Accounting Standards. As such, consolidated financial statements have been prepared for the Group as well as separate financial statements for ALL.

*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.

*Historical cost convention*

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

*Critical accounting estimates*

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

*Deficiency of current assets*

As at 30 June 2011, the Group has a deficiency of current assets of $25.9 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 so resulting in a deficiency of current assets at 30 June 2011. The Group has $43.6 million of unutilised loan capacity at 30 June 2011 which can be drawn on as required.

### b) Principles of consolidation

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. 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 separate financial report for ALL. The consolidated financial report combines the financial report for the Trust and ALL for the year. Transactions between the entities have been eliminated in the consolidated financial report of the Group.

Accounting for the Group is carried out in accordance with UIG 1013 *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements*.

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

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## 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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.

The financial report of the Group should be read in conjunction with the separate financial report of ALL for the period.

### c) Cash and cash equivalents

For Statement of Cash Flow 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. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

### d) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest 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.

Amounts due to the parent entity from controlled entities are classified as loans receivable where arm's length terms and a maturity date are included. Where such terms do not apply, the amount is classified as an investment in a controlled entity.

### 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 not obtained, factors taken into account where appropriate, by the Directors in determining fair value may include:

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

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and the volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

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## 1 Summary of significant accounting policies (continued)

### f) Investment properties (continued)

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regards to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the date of the statement of financial position, the current market uncertainty means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

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 each class of property, plant and equipment (PPE). Initially, PPE is measured at cost. Subsequently, 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 revaluation reserves directly in equity to 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 PPE revaluation reserve to retained profits.

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

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

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

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

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and the volatility in the banking sector have translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

Fair value of PPE is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is neither a forced seller nor one prepared to sell at a price not considered reasonable in the current market. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. The current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regards to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The fair value of PPE has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the date of the statement of financial position, the current market uncertainty means that if PPE is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements. This is particularly relevant in periods of market volatility.

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## 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:

- buildings – 40 years;
- leasehold improvements – over life of lease;
- major rides and attractions – 20 to 40 years;
- plant and equipment – 4 to 25 years;
- furniture, fittings and equipment – 4 to 13 years; and
- motor vehicles – 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. 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 (see 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

Leases of property, plant and equipment (see Note 19) where the Group has substantially all the risks and rewards of ownership are classified as finance leases (see Note 24). Finance leases are capitalised at the lease's 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 (see Note 41(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straightline basis over the period of the lease. Lease income from operating leases where the Group is a lessor is recognised in income on a straightline basis over the lease term.

### i) Investments and other financial assets

Loans and receivables are nonderivative 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 date of the statement of financial position which are classified as noncurrent assets. Loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

### j) Assets held for sale

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

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

Noncurrent assets are not depreciated or amortised while they are classified as held for sale. Noncurrent assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

### k) Livestock

Livestock is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the animals.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other maintenance expenditure is charged to the Income Statement during the financial period in which it is incurred.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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 (Note 1(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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## 1 Summary of significant accounting policies (continued)

### l) Intangible assets

*Brands*
Brands acquired are amortised on a straight-line basis over the period during which benefits are expected to be received, which is 10 years.

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

*Other intangible assets*
Intellectual property purchased is amortised on a straight-line basis over the period during which benefits are expected to be received, which is seven years. Liquor licences are amortised over the length of the licence which are between 10-16 years, depending on the length of the licence.

*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. 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 (Note 38).

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

### n) Payables

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

### o) Interest bearing liabilities

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

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

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

### p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, 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.

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## 1 Summary of significant accounting policies (continued)

### p) Derivatives (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 14. Movements in the 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.

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.

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

### 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 6.60% per annum (2010: 5.91% per annum) for Australian dollar debt and nil (2010: nil per annum) for US dollar debt.

### r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 balance 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. Expected future payments are discounted to their net present value using market yields at the reporting date on high quality corporate bonds, except when there is no deep market in which case market yields on national government bonds are used, with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows.

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## 1 Summary of significant accounting policies (continued)

### s) Employee benefits (continued)

*iii) Old executive securities plan (ESP)*

Prior to 1 July 2009, security-based compensation benefits were provided to certain employees via the ESP. Benefits provided to executives under this scheme still exist but from 1 July 2009, any future long term incentives will be provided to executives under the new long term incentive plan (LTIP) (Note 1s(iv)).

Under the terms of the ESP, employees are provided with a loan from the Trust, partially repayable, which is used to acquire securities on market. The amount of the loan to be repaid is capped at the value of the securities issued on vestment. The terms of the loans create a synthetic option, which means that the loans and underlying number of securities are removed from receivables and contributed equity respectively and the value of the option is brought to account pursuant to the term of AASB 2 Share-based Payment. Further, under AASB 2, the terms of the loan mean that the Trust owns the securities that it purchases on market, which are classified as treasury securities.

The characteristics of the ESP indicate that it is an equity settled share-based payment as the holders are entitled to the securities as long as they meet the ESP's service and performance criteria.

The fair value of the synthetic option granted under the ESP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of the options at grant date is determined using the trinomial options pricing model and then recognised over the vesting period during which employees become unconditionally entitled to the options.

At each reporting date, the Group revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

*iv) Long term incentive plan – performance rights*

*Australian employees*

From 1 July 2009, long term incentives are 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 it is an equity settled share based payment as the holders are entitled to the securities as long as they meet the LTIP's service and performance criteria.

The fair value of the performance rights granted under the LTIP is recognised 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 options.

At each reporting date, the Group revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

*US employees*

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

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

At each reporting date, the Group revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

*v) Deferred Short Term Incentive (DSTI*

*Australian employees*

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

The characteristics of the DSTI indicate that it is an equity settled share based payment as the holders are entitled to the securities as long as they meet the DSTI's service criteria.

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

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

#### s) Employee benefits (continued)

At each reporting date, the Group revises its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

*US employees*

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

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

At each reporting date, the Group revises its estimate of the number of securities that are expected to vest. 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, are subject to income tax.

Under current Australian income tax legislation, the Trust is not liable to pay income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders, 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 unitholders.

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.

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.

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## 1 Summary of significant accounting policies (continued)

### u) Goods and services tax (GST) (continued)

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) Contributed equity

Ordinary stapled securities are classified as 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 membership, theme park and QDeck entry and bowling games is recognised when the outcome can be reliably measured and the service has taken place.

*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 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 Trust'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 balance 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 2011, the spot rate used was A$1.00 = NZ$1.2935 (2010: A$1.00 = NZ$1.22262) and A$1.00 = US$1.0717 (2010: A$1.00 = US$0.8414). The average spot rate during the year ended 30 June 2011 was A$1.00 = NZ$1.3059 (2010: A$1.00 = NZ$1. 2490) and A$1.00 = US$1.0013 (2010: A$1.00 = US$0. 8812).

### 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.

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**1 Summary of significant accounting policies (continued)**

z) Segment information (continued)

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaced AASB 114 Segment Reporting. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

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 costs, straight lining of rent, IFRS depreciation, amortisation of Goodlife intangible assets and impairment of goodwill. As shown in Note 11, these items are excluded from management's definition of core earnings.

Under AASB 8, adjustments are allowed to be made to the disclosed segment result to reflect how management runs the businesses.

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 fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. 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 balance 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 date of the statement of financial position.

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 subsidiary 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire 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 subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

*Change in accounting policy*

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

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## 1 Summary of significant accounting policies (continued)

### ac) Business combinations (continued)

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed, there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisitions since that date. Acquisition costs of $137,000 (2010: $2,545,000) have been expensed in the current year which would previously have been capitalised. These have been reversed out of core earnings.

### ad) Dividends

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

### ae) Fractional boat ownership

Ardent Boat Share (ABS) trading includes the selling of shares in vessel owning companies (VOCs) which have acquired a vessel for the personal use of their shareholders. The VOCs are initially owned by ABS, however, the shares held are subsequently sold to individual investors in return for a right to use the vessel.

The VOCs are consolidated from the date on which control is transferred to the Group, which is the date the VOC issues shares to ABS.

Non-controlling interests in the VOCs have been disclosed as a liability of the Group, as a result of ABS's obligation to repurchase the shares after a specified time period or event. These liabilities are discounted to their present value and amortised over the specified time period identified above.

The vessel is capitalised as a non-current asset and depreciated over its useful life using the straight-line method.

The final vessel was sold during the period and so as at 30 June 2011, no vessel asset or non-controlling interest liability exists for the Group.

### af) New accounting standards 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 2011 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 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 2013)**

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that there should be no material impact on the Group's or the parent entity's financial statements. The Group has not yet decided when to adopt AASB 9.

**Revised IAS 1** ***Presentation of Financial Statements*** **(effective 1 July 2012)**

In June 2011, the IASB made an amendment to IAS 1 Presentation of Financial Statements. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

**AASB 2011-4** ***Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*** **(effective 1 July 2013)**

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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## 1 Summary of significant accounting policies (continued)

### af) New accounting standards and interpretations (continued)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

### ag) Rounding

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

## 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 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Revenue from services | 268,652 | 248,953 | — | — |
| Revenue from sale of goods | 85,348 | 82,431 | — | — |
| Revenue from rentals | 21,792 | 18,919 | 73,344 | 68,269 |
| Other revenue | 64 | 97 | — | — |
| Revenue from operating activities | **375,856** | **350,400** | **73,344** | **68,269** |

## 4 Net gain/(loss) from derivative financial instruments

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Gain/(loss) on derivatives – unrealised | 4,619 | 286 | 4,619 | 286 |
| Loss)/gain on Goodlife put and call option – unrealised | — | (38) | — | — |
| Termination of US$ interest rate swap | (3,937) | — | (3,937) | — |
| Gain on derivatives – realised | 707 | 437 | 707 | 437 |
| | **1,389** | **685** | **1,389** | **723** |

## 5 Finance costs

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Borrowing costs paid or payable | 16,172 | 17,081 | 15,764 | 16,375 |
| Less: Capitalised borrowing costs | (250) | (139) | (250) | (139) |
| **Finance costs expensed** | **15,922** | **16,942** | **15,514** | **16,236** |

## 6 Property expenses

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Landlord rent and outgoings | 48,003 | 42,540 | 22,310 | 19,385 |
| Insurance | 981 | 1,115 | 875 | 1,036 |
| Rates | 1,925 | 1,788 | 1,349 | 1,490 |
| Land tax | 1,131 | 1,318 | 1,131 | 1,318 |
| Other | 187 | 539 | 182 | 530 |
| | **52,227** | **47,300** | **25,847** | **23,759** |

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## 7 Management fees

The Manager of the Trust is Ardent Leisure Management Limited, which until 1 September 2009 was a wholly-owned subsidiary of Macquarie Group Limited. On 1 September 2009, ALL acquired all of the shares in the Manager from Macquarie Group 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

On the acquisition of the Manager by ALL, the Trust Constitution was changed and the management fees structure was amended. The base management fee since 1 September 2009 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.

Prior to 1 September 2009, the base fee was comprised of two fees, and was calculated as follows:

i) 0.2% per annum of total assets of the Trust; plus
ii) 3.5% of the amount available for distribution to stapled security holders.

### b) Performance fee

Once ALL acquired the Manager of the Trust on 1 September 2009, the Trust Constitution was amended so that performance fees are no longer payable.

### c) Management fee calculation

The management fee paid externally to the Group, before 1 September 2009, for the year ended 30 June 2010 is detailed as follows:

| | Consolidated 2011 $ | Consolidated 2010 $ | Parent 2011 $ | Parent 2010 $ |
|---|---|---|---|---|
| Base management fee | — | 426,586 | 1,600,000 | 1,819,193 |
| | — | 426,586 | 1,600,000 | 1,819,193 |

## 8 Other expenses

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Audit fees | 498 | 440 | 143 | 154 |
| Consulting fees | 342 | 569 | — | — |
| Consumables | 2,611 | 2,614 | — | — |
| Custodian fees | 100 | 110 | 94 | 102 |
| Electricity | 9,752 | 9,598 | — | — |
| Foreign exchange loss – realised | 175 | 8 | 170 | 11 |
| Foreign exchange loss – unrealised | — | — | 14,515 | 2,967 |
| Fuel and oil | 1,071 | 734 | — | — |
| Insurance | 1,692 | 1,774 | — | — |
| Legal fees | 27 | 154 | 27 | 152 |
| Merchant fees | 4,421 | 4,008 | — | — |
| Motor vehicles | 814 | 656 | — | — |
| Permits and fees | 2,675 | 2,994 | — | — |
| Printing, stationery and postage | 2,119 | 2,518 | — | 96 |
| Registry fees | 155 | 299 | 155 | 299 |
| Stapled security holder communication costs | 119 | 38 | 78 | 38 |
| State taxes | 353 | 323 | — | — |
| Stock exchange costs | 59 | 116 | 59 | 116 |
| Taxation fees | 118 | 216 | 24 | 32 |
| Telephone | 1,699 | 1,597 | — | — |
| Training | 1,156 | 1,131 | — | — |
| Travel costs | 1,661 | 1,496 | — | — |
| Valuation fees | 13 | 7 | 13 | 7 |
| Other | 382 | 623 | 21 | 122 |
| | **32,012** | **32,023** | **15,299** | **4,096** |

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## 9 Remuneration of auditor

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

| | Consolidated 2011 $ | Consolidated 2010 $ | Parent 2011 $ | Parent 2010 $ |
|---|---|---|---|---|
| Audit services – PwC Australia | 450,887 | 392,275 | 142,536 | 153,902 |
| Audit services – related practices of PwC Australia | 47,011 | 47,688 | — | — |
| Taxation services – PwC Australia | 34,360 | 46,439 | 24,300 | 31,940 |
| Taxation services – related practices of PwC Australia | 83,190 | 169,126 | — | — |
| Other services - PwC Australia | 1,850 | — | — | — |
| | **617,298** | **655,528** | **166,836** | **185,842** |

## 10 Income tax benefit

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| a) Income tax expense/(benefit) | | | | |
| Current tax | 451 | 638 | — | — |
| Deferred tax | 164 | (1,015) | — | — |
| Under/(over) provided in prior year | 112 | (677) | — | — |
| | **727** | **(1,054)** | **—** | **—** |
| **Income tax (benefit)/expense is attributable to:** | | | | |
| **Profit/(loss) from continuing operations** | **727** | **(1,054)** | — | — |
| Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises: | | | | |
| Decrease/(increase) in deferred tax assets | 773 | (2) | — | — |
| Decrease in deferred tax liabilities | (609) | (1,013) | — | — |
| | **164** | **(1,015)** | **—** | **—** |
| b) Numerical reconciliation of income tax benefit to prima facie tax receivable | | | | |
| Profit/(loss) from continuing operations before income tax benefit | 36,679 | 17,088 | 18,210 | (14,534) |
| Less: (Profit)/loss from the Trusts | (39,610) | (32,527) | (18,210) | 14,534 |
| **Prima facie loss** | **(2,931)** | **(15,439)** | **—** | **—** |
| Tax at the Australian tax rate of 30% (2009: 30%) | (879) | (4,632) | — | — |
| **Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:** | | | | |
| Goodwill impairment | 136 | 2,554 | — | — |
| Entertainment | 29 | 17 | — | — |
| Non-deductible depreciation and amortisation | 1,775 | 1,912 | — | — |
| Non-deductible interest due to thin capitalisation | — | 6 | — | — |
| Sundry items | (48) | 99 | — | — |
| Goodlife put and call option | — | 11 | — | — |
| Management rights | (519) | (806) | — | — |
| Business acquisition costs | 10 | 445 | — | — |
| Foreign exchange conversion differences | 25 | — | — | — |
| Difference in overseas tax rates | 86 | 17 | — | — |
| Under/(over) provided in prior year | 112 | (677) | — | — |
| **Income tax benefit** | **727** | **(1,054)** | **—** | **—** |
| c) Tax expense relating to items of other comprehensive income | | | | |
| Gains on land and buildings revaluation | (1,026) | — | — | — |
| | **(1,026)** | **—** | **—** | **—** |

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## 10 Income tax benefit (continued)

### d) Unrecognised temporary differences

The Group has undistributed profits of $6,744,284 (2010: $7,230,000) which, if paid out as dividends, would be fully franked. It is the Group's intention to assign these franking credits to dividends received by the Trust from its subsidiaries and then distribute these franking credits to security holders where possible.

### e) Tax losses

The Group has tax losses of $508,322 (2010: $508,322) which have not been recognised as they are not deemed recoverable.

### f) 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 stapled security

| | 2011 | 2010 |
|---|---|---|
| Basic earnings per stapled security (cents) | 11.51 | 6.30 |
| Diluted earnings per stapled security (cents) | 11.49 | 6.29 |
| Core earnings per stapled security (cents) | 12.54 | 11.41 |
| Diluted core earnings per stapled security (cents) | 12.51 | 11.39 |
| Earnings used in the calculation of basic and diluted earnings per stapled security ($'000) | 36,143 | 19,038 |
| Earnings used in the calculation of core earnings per stapled security (refer to calculation in table below) ($'000) | 39,351 | 34,475 |
| Weighted average number of stapled securities on issue used in the calculation of basic and core earnings per stapled security ('000) | 313,892 | 302,123 |
| Weighted average number of stapled securities held by ALL employees under the ESP (see Note 29) ('000) | 687 | 470 |
| Weighted average number of stapled securities on issue used in the calculation of diluted earnings per stapled security ('000) | 314,579 | 302,593 |

### 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 adjusted for certain unrealised and non-cash items, reserve transfers and one off realised items. Under the Trust Constitution, the amount distributed to stapled security holders is at the discretion of the Manager. The Manager will use the core earnings calculated as a guide to assessing an appropriate distribution to declare.

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## 11 Earnings per stapled security (continued)

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.

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Profit/(loss) used in calculating earnings per stapled security | 36,143 | 19,038 |
| *Unrealised items* | | |
| — Unrealised (gain)/loss on derivative financial instruments | (4,619) | (286) |
| — Unrealised loss/(gain) on Goodlife put and call option | — | 38 |
| — Property valuation (gains)/losses – investment properties | (7,599) | (3,273) |
| *Non-cash items* | | |
| — Straight-lining of fixed rent increases | 2,283 | 1,879 |
| — Impairment of goodwill | 453 | 8,514 |
| — Amortisation of Goodlife intangible assets | 2,887 | 2,645 |
| — Tax impact of amortisation of Goodlife intangible assets | (866) | (794) |
| *Reserve transfers* | | |
| — Transfer to asset revaluation reserve [1] | 5,898 | 5,215 |
| **Distributable earnings** | **34,580** | **32,976** |
| One off realised items | | |
| — Pre-opening expenses | 697 | 483 |
| — Termination of US$ interest rate swap | 3,937 | — |
| — Business acquisition costs now expensed | 137 | 2,545 |
| — Gain on sale of freehold land and buildings [2] | — | (1,529) |
| **Core earnings** | **39,351** | **34,475** |

(1) The transfer from asset revaluation reserve represents depreciation recorded under Australian Accounting Standards effective 1 July 2005 on property, plant and equipment which were previously classified as investment properties.
(2) During the prior period, the Group sold nine AMF bowling freehold properties for $35.1 million. Six of the properties have been leased back to the Group on long term leases. A gain of $1.5 million was recorded in the year.

## 12 Distributions paid and payable

| | Distribution cents per stapled security | Total amount $'000 | Tax deferred % | CGT concession amount % | Taxable % |
|---|---|---|---|---|---|
| 2011 distributions for the half year ended: | | | | | |
| 31 December 2010 | 6.50 | 20,330 | | | |
| 30 June 2011 [1] | 5.00 | 15,907 | | | |
| | **11.50** | **36,237** | **36.36** | **—** | **63.64** |
| 2010 distributions for the half year ended: | | | | | |
| 31 December 2009 | 6.50 | 19,725 | | | |
| 30 June 2010 [2] | 4.25 | 13,123 | | | |
| | **10.75** | **32,848** | **12.18** | **12.82** | **75.00** |

(1) The distribution of 5.00 cents per stapled security for the half year ended 30 June 2011 was not declared prior to 30 June 2011. Refer to Note 43.
(2) The distribution of 4.25 cents per stapled security for the half year ended 30 June 2010 was not declared prior to 30 June 2010.

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## 13 Receivables

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Trade receivables | 3,072 | 2,637 | — | — |
| Provision for doubtful debts | (131) | (150) | — | — |
| | **2,941** | **2,487** | — | — |
| Deferred payment for excess land sale | 4,640 | — | 4,640 | — |
| Sundry receivable | 111 | 248 | — | — |
| | **7,692** | **2,735** | **4,640** | — |

The Group has recognised an expense of $100,000 (2010: $125,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2011. The expense has been included in other expenses in the Income Statement.

## 14 Derivative financial instruments

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Current assets | | | | |
| Forward foreign exchange contracts | 1,256 | 420 | 1,256 | 420 |
| | **1,256** | **420** | **1,256** | **420** |
| Current liabilities | | | | |
| Forward foreign exchange contracts | 63 | — | 63 | — |
| Interest rate swaps | 1,875 | 5,809 | 1,875 | 5,809 |
| | **1,938** | **5,809** | **1,938** | **5,809** |
| Non-current liabilities | | | | |
| Interest rate swaps | 1,296 | 2,046 | 1,296 | 2,046 |
| | **1,296** | **2,046** | **1,296** | **2,046** |

### Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to buy US dollars and sell Australian dollars. These contracts total $nil (2010: A$0.2 million).

The Group has entered into forward foreign exchange contracts to buy Euro and sell Australian dollars. These contracts total A$0.8 million (2010: $nil) and mature within 12 months.

The Group has entered into forward foreign exchange contracts to sell US dollars and receive Australian dollars at an average exchange rate of A$1.00 = US$0.7696 (2010: A$1.00 = US$0.7594). These contracts total A$3.8 million (2010: A$6.6 million) and the last of these contracts matures in December 2012.

The Group has also entered into forward foreign exchange contracts to sell New Zealand dollars and receive Australian dollars at an average exchange rate of A$1.00 = NZ$1.2093 (2010: A$1.00 = NZ$1.2093). These contracts total A$5.3 million (2010: A$5.3 million) and the last of these contracts matures in November 2011.

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.

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## 14 Derivative financial instruments (continued)

### Interest rate swaps

The Group has entered into an interest rate swap agreement totalling $125 million (2010: $75 million) that entitles 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 agreement allows the Group to raise long term borrowings at a floating rate and effectively swap them into a fixed rate.

The Group has also entered into a US dollar interest rate swap agreement totalling $nil (2010: US$45 million) that entitles it to receive interest at a floating rate on a notional principal amount and obliges it to pay interest at a fixed rate on the same amount. In November 2010, the US$45m interest rate swap which was due to maturing in September 2012 was terminated. The Group also has a US$45 million (30 June 2010: US$45 million) forward starting interest rate swap with start date in September 2012 and end date in September 2013.

The A$ 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.

The US dollar interest rate swaps no longer qualify for hedge accounting and accordingly, all changes in fair value of these contracts from this date are also recorded through the Income Statement.

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Less than 1 year | 45,000 | — | 45,000 | — |
| 1-2 years | — | 45,000 | — | 45,000 |
| 2-3 years | 121,989 | — | 121,989 | — |
| 3-4 years | — | 83,482 | — | 83,482 |
| 4-5 years | — | — | — | — |
| More than 5 years | — | — | — | — |
| | **166,989** | **128,482** | **166,989** | **128,482** |

## 15 Inventories

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Goods held for resale | 7,660 | 8,234 | — | — |
| Provision for diminution | (64) | (64) | — | — |
| | **7,596** | **8,170** | — | — |

There was no reversal of write downs of inventories recognised as a benefit during the year ended 30 June 2011 (2010: $nil).

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## 16 Property held for sale

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Family entertainment centres | 7,651 | — | — | — |
| Excess land at Dreamworld | — | 16,500 | — | 16,500 |
| | **7,651** | **16,500** | **—** | **16,500** |

The excess land at Dreamworld was sold during the year ended 30 June 2011. The freehold land and building of Main Event Webster has been transferred to property held for sale at 30 June 2011 as the Group is intending to sell and lease back this site. The expected proceeds net of costs of this site is $7.65 million (US$8.2 million).

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Opening | 16,500 | 50,081 | 16,500 | 50,081 |
| Transfer (to)/from property, plant and equipment | 7,651 | (57) | — | — |
| Transfer from/(to) investment properties | — | — | — | (57) |
| Disposals | (16,500) | (33,524) | (16,500) | (33,524) |
| | **7,651** | **16,500** | **—** | **16,500** |

## 17 Other assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Prepayments | 5,275 | 8,401 | 326 | 429 |
| | **5,275** | **8,401** | **326** | **429** |

## 18 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 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Carrying amount at the beginning of the year | 84,186 | 79,402 | 312,192 | 345,594 |
| Transfer from property plant and equipment | 2,324 | — | 2,324 | — |
| Transfer from property held for sale | — | — | — | 57 |
| Additions | 2,170 | 472 | 11,780 | 9,610 |
| Disposals | — | — | (36) | — |
| Revaluation increments/(decrements) | 7,599 | 4,312 | 690 | (43,069) |
| **Carrying amount at the end of the year** | **96,279** | **84,186** | **326,950** | **312,192** |

Amounts recognised in the Income Statement for investment properties:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Revenue from investment properties | 18,016 | 16,800 | 73,344 | 68,269 |
| Property expenses incurred on investment properties | (2,248) | (2,400) | (25,847) | (23,760) |

At 30 June 2011, the Group had receivables to third parties totalling $454,000 (2010: $428,000) relating to leases on its investment properties.

## 18 Investment properties (continued)

### Consolidated

| Property | Note | Valuer | Cost $'000 | Revaluation increments $'000 | Consolidated 2011 book value $'000 | Consolidated 2010 book value $'000 |
|---|---|---|---|---|---|---|
| Excess land at Dreamworld | (a) | | 2,874 | 626 | 3,500 | 3,500 |
| Marinas | (b) | (1) | 72,646 | 20,133 | 92,779 | 80,686 |
| **Total** | | | **75,520** | **20,759** | **96,279** | **84,186** |

As valued by:
(1) Greg Thomson, FAPI, Knight Frank, Valuation Services (NSW) Pty Limited independently valued the properties at 30 June 2011.
(a) The remaining excess land has been valued by Directors at $3.5 million.
(b) The total carrying value of d'Albora Marinas (including plant and equipment of $4.9 million) is $97.7 million. All of the marinas were independently valued at 30 June 2011 and the fair value was assessed to be $97.7 million.

### Parent

| Property | Note | Valuer | Cost $'000 | Revaluation increments $'000 | Consolidated 2011 book value $'000 | Consolidated 2010 book value $'000 |
|---|---|---|---|---|---|---|
| Theme Parks | (a) (b) | (1) | 148,495 | 49,621 | 198,116 | 198,498 |
| Excess land at Dreamworld | (c) | | 2,874 | 626 | 3,500 | 3,500 |
| Marinas | (d) | (2) | 72,646 | 20,133 | 92,779 | 80,686 |
| Bowling centres | (e) | (3) | 30,655 | 1,900 | 32,555 | 29,508 |
| **Total** | | | **254,670** | **72,280** | **326,950** | **312,192** |

As valued by:
(1) Jones Lang LaSalle Hotels
(2) Greg Thomson, FAPI, Knight Frank, Valuation Services (NSW) Pty Limited
(3) Jones Lang LaSalle
(a) The book value of Dreamworld and WhiteWater World (including plant and equipment of $45.9 million and intangible assets of $1.0 million) is $235 million. In an independent valuation performed at 30 June 2011 the fair value for the theme parks was assessed to be $235 million.
(b) The book value of Sky Point (including plant and equipment of $1.6 million and intangible assets of $3.6 million) is $15.2 million. In an independent valuation performed at 30 June 2011 the fair value for Sky Point was assessed to be $15.0 million excluding the incomplete development of the new Sky Walk which had a cost as at 30 June 2011 of $0.2 million.
(c) The excess land has been valued by Directors at $3.5 million.
(d) The total carrying value of d'Albora Marinas (including plant and equipment of $4.9 million) is $97.7 million. All of the marinas were independently valued at 30 June 2011 and the fair value was assessed to be $97.7 million.
(e) The one remaining freehold building was independently valued at 30 June 2010 at $1.9 million. At 30 June 2011, the Directors assessed the fair value of the freehold building to be $1.9 million and the remaining property, plant and equipment to be $81.3 million.

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## 19 Property, plant and equipment

### Consolidated

| Property | Note | Cost $'000 | Revaluation increments/ (decrements) $'000 | Consolidated 2011 book value $'000 | Consolidated 2010 book value $'000 |
|---|---|---|---|---|---|
| Theme Parks | (1) (2) | 196,043 | 49,621 | 245,664 | 243,505 |
| Marinas | (3) | 4,921 | — | 4,921 | 7,264 |
| Bowling centres | (4) | 84,879 | 1,900 | 86,779 | 79,904 |
| Family entertainment centres | (5) | 33,785 | (2,043) | 31,742 | 47,937 |
| Health clubs | (6) | 43,870 | — | 43,870 | 35,299 |
| Other | (7) | 801 | — | 801 | 4,013 |
| **Total** | | **364,299** | **49,478** | **413,777** | **417,922** |

(1) The book value of Dreamworld and WhiteWater World (including intangible assets of $1.0 million) is $235 million. In an independent valuation performed at 30 June 2011, the fair value for the theme parks was assessed to be $235 million.
(2) The book value of Sky Point (including intangible assets of $3.6 million) is $15.2 million. In an independent valuation performed at 30 June 2011, the fair value for Sky Point was assessed to be $15.0 million excluding the incomplete development of the new Sky Walk which had a cost as at 30 June 2011 of $0.2 million.
(3) The Directors have valued the property, plant and equipment of d'Albora Marinas at $4.9 million.
(4) The 1 remaining freehold building was independently valued at 30 June 2010 at $1.9 million. At 30 June 2011, the Directors assessed the fair value of the freehold building to be $1.9 million and the remaining property, plant and equipment to be $84.9 million.
(5) The freehold land and buildings of the two family entertainment centres were independently valued by Lowery Property Advisors at 30 June 2011 at US$14.6 million ($13.62 million). At 30 June 2011 the Directors assessed the fair value of the freehold land and buildings to be $13.62 million and the remaining property, plant and equipment to be $18.12 million. The third freehold land and building owned by the Group has been transferred to property held for sale (Note 16).
(6) The Directors have valued the property, plant and equipment of Goodlife at 30 June 2011 at $43.9 million.
(7) The fair value of other property, plant and equipment was assessed by the Directors to be $0.8 million at 30 June 2011.

| Property | 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 2011 | | | | | | | |
| Theme Parks | 160,074 | 60,205 | 22,712 | — | 2,457 | 216 | 245,664 |
| Marinas | 529 | — | 3,777 | — | 487 | 128 | 4,921 |
| Bowling centres | 33,614 | — | 49,693 | — | 3,403 | 69 | 86,779 |
| Family entertainment centres | 13,624 | — | 18,118 | — | — | — | 31,742 |
| Health clubs | 29,839 | — | 13,998 | 33 | — | — | 43,870 |
| Other | 7 | — | 765 | — | 29 | — | 801 |
| **Total consolidated** | **237,687** | **60,205** | **109,063** | **33** | **6,376** | **413** | **413,777** |
| Consolidated 2010 | | | | | | | |
| Theme Parks | 165,139 | 59,905 | 16,132 | — | 2,084 | 245 | 243,505 |
| Marinas | 524 | — | 6,221 | — | 348 | 171 | 7,264 |
| Bowling centres | 30,313 | — | 47,685 | — | 1,844 | 62 | 79,904 |
| Family entertainment centres | 23,473 | — | 24,464 | — | — | — | 47,937 |
| Health clubs | 24,865 | — | 10,372 | 62 | — | — | 35,299 |
| Other | 6 | — | 3,991 | — | 16 | — | 4,013 |
| **Total consolidated** | **244,320** | **59,905** | **108,865** | **62** | **4,292** | **478** | **417,922** |
| Parent – 2011 | | | | | | | |
| Theme Parks | 16,677 | 13,305 | 14,483 | — | 2,448 | 216 | 47,129 |
| Marinas | 529 | — | 3,777 | — | 487 | 128 | 4,921 |
| Bowling centres | 841 | — | 46,349 | — | 3,341 | 69 | 50,600 |
| Other | 7 | — | 442 | — | 3 | — | 452 |
| **Total parent** | **18,054** | **13,305** | **65,051** | **—** | **6,279** | **413** | **103,102** |
| Parent – 2010 | | | | | | | |
| Theme Parks | 16,840 | 13,005 | 12,243 | — | 2,076 | 245 | 44,409 |
| Marinas | 524 | — | 6,221 | — | 348 | 171 | 7,264 |
| Bowling centres | 760 | — | 43,430 | — | 1,780 | 62 | 46,032 |
| Other | 6 | — | 258 | — | — | — | 264 |
| **Total parent** | **18,130** | **13,005** | **62,152** | **—** | **4,204** | **478** | **97,969** |

## 19 Property, plant and equipment (continued)

Consolidated (continued)

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

| Property | 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 – 2011 | | | | | | | |
| Carrying amount at the beginning of the year | 244,320 | 59,905 | 108,865 | 62 | 4,292 | 478 | 417,922 |
| Additions | 10,924 | 2,241 | 28,736 | — | 2,924 | 63 | 44,888 |
| Transfer to investment properties | — | — | (2,324) | — | — | — | (2,324) |
| Transfer from properties held for sale | (7,651) | — | — | — | — | — | (7,651) |
| Disposals | (44) | — | (3,225) | (15) | (1) | (11) | (3,296) |
| Depreciation | (6,886) | (1,941) | (17,689) | (14) | (836) | (117) | (27,483) |
| Foreign exchange movements | (5,073) | — | (5,300) | — | (3) | — | (10,376) |
| Revaluation decrements | 2,097 | — | — | — | — | — | 2,097 |
| **Carrying amount at the end of the year** | **237,687** | **60,205** | **109,063** | **33** | **6,376** | **413** | **413,777** |
| Parent – 2011 | | | | | | | |
| Carrying amount at the beginning of the year | 18,130 | 13,005 | 62,152 | — | 4,204 | 478 | 97,969 |
| Transfer to investment properties | — | — | (2,324) | — | — | — | (2,324) |
| Additions | 336 | 2,241 | 13,738 | — | 2,899 | 63 | 19,277 |
| Disposals | (8) | — | (207) | — | (1) | (11) | (227) |
| Depreciation | (404) | (1,941) | (8,308) | — | (823) | (117) | (11,593) |
| **Carrying amount at the end of the year** | **18,054** | **13,305** | **65,051** | **—** | **6,279** | **413** | **103,102** |
| Parent – 2010 | | | | | | | |
| Carrying amount at the beginning of the year | 18,279 | 11,941 | 53,495 | — | 3,762 | 559 | 88,036 |
| Additions | 205 | 2,668 | 16,170 | — | 980 | 36 | 20,059 |
| Transfers | — | 302 | (302) | — | — | — | — |
| Disposals | (27) | — | (356) | — | — | — | (383) |
| Depreciation | (327) | (1,604) | (7,157) | — | (538) | (117) | (9,743) |
| **Carrying amount at the end of the year** | **18,130** | **13,005** | **62,152** | **—** | **4,204** | **478** | **97,969** |

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## 20 Intangible assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Other intangible assets at cost | 2,059 | 2,046 | 1,428 | 1,428 |
| Accumulated amortisation | (1,641) | (1,523) | (1,230) | (1,131) |
| | 418 | 523 | 198 | 297 |
| Customer relationships at cost | 13,322 | 9,981 | — | — |
| Accumulated amortisation | (9,447) | (7,214) | — | — |
| | 3,875 | 2,767 | — | — |
| Brand at cost | 6,539 | 6,539 | — | — |
| Accumulated amortisation | (2,452) | (1,798) | — | — |
| | 4,087 | 4,741 | — | — |
| Goodwill at cost | 137,508 | 141,931 | — | — |
| Accumulated impairment charge | (11,772) | (11,319) | — | — |
| | 125,736 | 130,612 | — | — |
| **Total intangible assets** | **134,116** | **138,643** | **198** | **297** |
| Other intangible assets | | | | |
| Opening net book amount | 523 | 659 | 297 | 396 |
| Additions | 13 | 26 | — | — |
| Amortisation [1] | (118) | (162) | (99) | (99) |
| **Closing net book amount** | **418** | **523** | **198** | **297** |
| Customer relationships | | | | |
| Opening net book amount | 2,767 | 3,187 | — | — |
| Additions | 3,341 | 1,571 | — | — |
| Amortisation [1] | (2,233) | (1,991) | — | — |
| **Closing net book amount** | **3,875** | **2,767** | — | — |
| Brand | | | | |
| Opening net book amount | 4,741 | 5,395 | — | — |
| Amortisation [1] | (654) | (654) | — | — |
| **Closing net book amount** | **4,087** | **4,741** | — | — |
| Goodwill | | | | |
| Opening net book amount | 130,612 | 116,081 | — | — |
| Addition | 5,842 | 25,006 | — | — |
| Foreign exchange movements | (10,265) | (1,961) | — | — |
| Impairment charge | (453) | (8,514) | — | — |
| **Closing net book amount** | **125,736** | **130,612** | — | — |
| **Total intangible assets** | **134,116** | **138,643** | **198** | **297** |

[1] Amortisation of $3,005,000 (2010: $2,807,000) is included in depreciation and amortisation expense in the Income Statement.

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## 20 Intangible assets (continued)

### Other intangible assets

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

### Customer relationships

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

### Brand

The brand relates to the Goodlife brand acquired in September 2007.

### Goodwill

Goodwill represents goodwill acquired by the Group as part of various acquisitions. The movement in goodwill at cost in the period is predominately due to the movement in the USD:AUD foreign exchange rate.

### Impairment tests for goodwill

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

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

| 2011 | Australia $'000 | New Zealand $'000 | United States $'000 | Total $'000 |
|---|---|---|---|---|
| Theme parks | 4,366 | — | — | 4,366 |
| Bowling centres | 16,823 | 3,042 | — | 19,865 |
| Family entertainment centres | — | — | 40,016 | 40,016 |
| Health clubs | 61,489 | — | — | 61,489 |
| | **82,678** | **3,042** | **40,016** | **125,736** |

| 2010 | Australia $'000 | New Zealand $'000 | United States $'000 | Total $'000 |
|---|---|---|---|---|
| Theme parks | 4,366 | — | — | 4,366 |
| Bowling centres | 16,823 | 3,206 | — | 20,029 |
| Fractional boat ownership | 453 | — | — | 453 |
| Family entertainment centres | — | — | 50,114 | 50,114 |
| Health clubs | 55,650 | — | — | 55,650 |
| | **77,292** | **3,206** | **50,114** | **130,612** |

### Key assumptions used for value in use calculations

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

| | Growth rate (1) | | Discount rate (2) | |
|---|---|---|---|---|
| | 2011 % per annum | 2010 % per annum | 2011 % per annum | 2010 % per annum |
| Theme parks(3) | n/a | 2.00 | n/a | 11.14 |
| Bowling centres | 2.00 | 2.00 | 11.23 | 11.14 |
| Fractional boat ownership(4) | n/a | 0.00 | n/a | 11.14 |
| Family entertainment centres | 3.00 | 3.00 | 10.95 | 10.80 |
| Health clubs | 2.00 | 2.00 | 11.23 | 11.14 |

(1) Average growth rate used to extrapolate cash flows beyond the budget period.
(2) In performing the value in use calculations for each CGU, the Group has applied pre tax discount rates to discount the forecast future attributable pre-tax cash flows.
(3) All non-current assets in the Theme Parks division are already held at fair value at 30 June 2011 and were independently valued by Jones Land LaSalle (see Note 19) and so no impairment testing required at that date.
(3) All fractional boat ownership assets sold as at 30 June 2011 and so no impairment test required.

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## 20 Intangible assets (continued)

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

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on the 2012 financial year budget approved by the Board and three year forecasts approved by management. Cash flows beyond the three year period are extrapolated using the growth rates stated above.

Goodwill of $17 million arose on the internalisation of the Manager on 1 September 2009. This goodwill was allocated to each of the business segments based on EBITDA of each segment in the Group accounts for the year ended 30 June 2009. $8,514,000 was allocated to the theme parks and marinas CGUs. The assets in these CGUs are already held at fair value in the Group accounts, resulting in an impairment charge of $8,514,000 being recorded in prior period. During the current period, the goodwill relating to fractional ownership business was fully impaired as the business is being wound down, resulting in an impairment charge of $453,000.

### Sensitivity to changes in assumptions

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

The Directors consider that the growth rates are reasonable, and do not consider a change in any of the other key assumptions to be reasonably possible.

## 21 Deferred tax assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | | |
| Amounts recognised in profit or loss: | | | | |
| Doubtful debts | 39 | 45 | — | — |
| Employee benefits | 4,149 | 3,292 | — | — |
| Provisions and accruals | 249 | 885 | — | — |
| Depreciation | 2 | 6 | — | — |
| Inventory diminution | 19 | 19 | — | — |
| Deferred income | 171 | 329 | — | — |
| Unrealised foreign exchange | 55 | — | — | — |
| Tax losses | 613 | 1,192 | — | — |
| **Deferred tax assets** | **5,297** | **5,768** | **—** | **—** |
| Movements | | | | |
| Balance at the beginning of the year | 5,768 | 5,210 | — | — |
| Credited to the Income Statement (see Note 10) | (773) | 2 | — | — |
| Acquisition of businesses | 302 | 556 | — | — |
| **Balance at the end of the year** | **5,297** | **5,768** | **—** | **—** |
| Deferred tax assets to be recovered within 12 months | 4,090 | 4,106 | — | — |
| Deferred tax assets to be recovered after more than 12 months | 1,207 | 1,662 | — | — |
| | **5,297** | **5,768** | **—** | **—** |

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## 22 Investment in controlled entities

| | Country of formation/ incorporation | Class of securities | Consolidated interest 2011 % | Consolidated interest 2010 % | Parent entity carrying amount 2011 $ | Parent entity carrying amount 2010 $ |
|---|---|---|---|---|---|---|
| Ardent Leisure (NZ) Trust | New Zealand | Ordinary | 100 | 100 | — | — |
| Ardent Leisure Finance Pty Limited | Australia | Ordinary | 100 | 100 | 1 | 1 |
| Ardent Leisure Limited | Australia | Ordinary | 100 | 100 | — | 14,595 |
| Ardent Leisure Operations (NZ) Ltd | New Zealand | Ordinary | 100 | 100 | — | — |
| Ardent Leisure Management (NZ) Ltd | New Zealand | Ordinary | 100 | 100 | — | — |
| Ardent Leisure Management Ltd | Australia | Ordinary | 100 | 100 | — | — |
| Ardent Leisure Management Health Clubs Pty Ltd | Australia | Ordinary | 100 | 100 | — | — |
| Bowling Centres Australia Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Tidebelt Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| BowlAustralia Holdings Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Bowling Centres Australia Catering Services Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| A.C.N. 111 110 037 Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Ardent Leisure US Holdings Inc | United States | Ordinary | 100 | 100 | — | — |
| Main Event Holdings Inc | United States | Ordinary | 100 | 100 | — | — |
| M.E.E.P. Management LLC | United States | Ordinary | 100 | 100 | — | — |
| Main Event Entertainment LP | United States | | 100 | 100 | — | — |
| Shots Main Event Inc | United States | Ordinary | 100 | 100 | — | — |
| Ardent Boat Share Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Ardent Boat Share Services Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Ardent Boat Share Finance Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Azimut 43 S Boatshare Pty Limited | Australia | Ordinary | — | 30 | — | — |
| Azimut 43 S Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Azimut 55 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Azimut 55 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-4 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera M400-4 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-5 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera M400-5 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-6 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera M400-6 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-7 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera M400-7 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera 3600 Boatshare Pty Limited | Australia | Ordinary | — | 100 | — | — |
| Riviera 3600 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera 4700-2 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera 4700-2 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera 4700-3 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera 4700-3 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |

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## 22 Investment in controlled entities (continued)

| | Country of formation/ incorporation | Class of securities | Consolidated interest 2011 % | Consolidated interest 2010 % | Parent entity carrying amount 2011 $ | Parent entity carrying amount 2010 $ |
|---|---|---|---|---|---|---|
| Riviera M400-9 Boatshare Pty Limited | Australia | Ordinary | — | 10 | — | — |
| Riviera M400-9 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-10 Boatshare Pty Limited | Australia | Ordinary | — | 30 | — | — |
| Riviera M400-10 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Princess 54 Boatshare Pty Limited | Australia | Ordinary | — | 100 | — | — |
| Princess 54 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera 4700 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Riviera 4700 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Riviera M400-8 Boatshare Pty Limited | Australia | Ordinary | — | 100 | — | — |
| Riviera M400-8 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Princess P54-2 Boatshare Pty Limited | Australia | Ordinary | — | — | — | — |
| Princess P54-2 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Azimut 47-1 Boatshare Pty Limited | Australia | Ordinary | — | 100 | — | — |
| Azimut 47-1 Boatshare Pty Limited | Australia | Preference | — | 100 | — | — |
| Ardent Leisure Notes Issuer Pty Limited | Australia | Ordinary | 100 | 100 | 33,022,822 | 33,022,822 |
| Ardent Leisure Health Clubs 1 Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Ardent Leisure Health Clubs 2 Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Health Clubs Holdings Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Operations Pty Limited* | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Wintergarden Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Archgale Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Archgale 2 Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Belmont Pacific Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Subtrust | Australia | Ordinary | 100 | 100 | 20,066,631 | 20,066,631 |
| Brookshell Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Darleon Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Evolution Fitness Equipment Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Evolution Fitness Systems Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Carseldine Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Helensvale Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Hyperdome Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Holland Park Health Clubs Service Pty Ltd | Australia | Ordinary | 100 | 100 | — | — |
| Sarlin Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Chermside Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| Goodlife Management Pty Limited | Australia | Ordinary | 100 | 100 | — | — |
| | | | | | **53,089,454** | **53,104,049** |

* These subsidiaries has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 42.

Those entities where less than 50% of the ordinary shares are owned are vessel owning companies in the Ardent Boat Share structure. Although less than 50% of the shares are owned, control over these entities remains with Ardent Leisure Group and so these entities have been consolidated.

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## 23 Payables

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Current | | | | |
| Custodian fee | 48 | 51 | 48 | 51 |
| Interest payable | 635 | 660 | 635 | 660 |
| GST payable | 261 | — | 261 | — |
| Trade creditors | 10,209 | 9,863 | — | — |
| Property expenses payable | 9,497 | 4,832 | 5,991 | 4,832 |
| Controlled entity payables | — | — | 2,601 | 835 |
| Deferred settlement for acquisition of businesses | 5,320 | — | 5,320 | — |
| Deferred income | 7,196 | 6,568 | — | — |
| Non-controlling interest in Ardent Boat Share | — | 3,818 | — | — |
| Other creditors and accruals | 24,785 | 27,410 | 342 | 339 |
| **Total current** | **57,951** | **53,202** | **15,198** | **6,717** |

## 24 Interest bearing liabilities

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Current | | | | |
| Finance leases | 28 | 15 | — | — |
| Bank loan – term debt | — | 999 | — | — |
| **Total current** | **28** | **1,014** | **—** | **—** |
| Non-current | | | | |
| Finance leases | — | 46 | — | — |
| Bank loan – term debt | 194,856 | 199,527 | 194,856 | 194,700 |
| Less: amortised costs – bank loan | (1,300) | (859) | (1,300) | (416) |
| **Total non-current** | **193,556** | **198,714** | **193,556** | **194,284** |
| **Total interest bearing liabilities** | **193,584** | **199,728** | **193,556** | **194,284** |

The term debt is secured by registered mortgages over all Australian properties owned by the Group.

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## 24 Interest bearing liabilities (continued)

### Credit facilities

As at 30 June 2011, the Group had access to the following facilities:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Cash advance facility | — | 133,962 | — | 133,962 |
| Amount used | — | (114,700) | — | (114,700) |
| **Amount unused** | — | **19,262** | — | **19,262** |
| Loan note facility | — | 80,000 | — | 80,000 |
| Amount used | — | (80,000) | — | (80,000) |
| **Amount unused** | — | — | — | — |
| A$ syndicated facility | 210,446 | — | 210,446 | — |
| Amount used | (166,863) | — | (166,863) | — |
| **Amount unused** | **43,583** | — | **43,583** | — |
| US$ syndicated facility | 27,993 | — | 27,993 | — |
| Amount used | (27,993) | — | (27,993) | — |
| **Amount unused** | — | — | — | — |
| US facility | — | 5,826 | — | — |
| Amount used | — | (5,826) | — | — |
| **Amount unused** | — | — | — | — |
| **Total facility** | **238,439** | **219,788** | **238,439** | **213,962** |
| **Total amount used** | **(194,856)** | **(200,526)** | **(194,856)** | **(194,700)** |
| **Total amount unused** | **43,583** | **19,262** | **43,583** | **19,262** |

On 7 December 2010, the Group's loan facilities were refinanced. The cash advance, loan note and US facilities were replaced by a new A$210.4 million syndicated facility and US$30 million syndicated facility. A$150.4 million of the A$ facility and the US$30 million mature on 7 December 2013 and the remaining A$60 million of the A$ syndicated facility matures on 7 December 2014.

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 2011, including the impact of the interest rate swaps, is 7.15% per annum for AUD denominated debt (2010: 7.05% per annum) and 1.85% per annum for USD denominated debt (2010: 6.09% per annum).

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## 25 Provisions

### a) Distributions to stapled security holders

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Opening balance | — | — | — | — |
| Distributions declared | 33,453 | 38,528 | 33,453 | 38,528 |
| Distributions paid | (24,514) | (26,994) | (24,514) | (26,994) |
| Distributions reinvested | (8,939) | (11,534) | (8,939) | (11,534) |
| **Closing balance** | — | — | — | — |

A provision for the distribution relating to the half year to 30 June 2011 was not recognised as the distribution had not been declared at the reporting date.

### b) Other provisions

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Employee benefits | 2,395 | 2,700 | — | — |
| Sundry [1] | 1,417 | 1,202 | — | — |
| **Total current** | **3,812** | **3,902** | — | — |
| **Non-current** | | | | |
| Employee benefits | 1,391 | 854 | — | — |
| **Total non-current** | **1,391** | **854** | — | — |
| **Total provisions** | **5,203** | **4,756** | — | — |
| **Movements in sundry provisions** | | | | |
| Carrying amount at the beginning of the year | 1,202 | — | — | — |
| Additional provisions recognised | 704 | 2,435 | — | — |
| Amounts utilised | (489) | (1,233) | — | — |
| **Carrying amount at the end of the year** | **1,417** | **1,202** | — | — |

[1] Sundry provisions include employee sick leave provisions, insurance excess/deductible amounts for public liability insurance, fringe benefits tax provisions and other royalty provisions.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it 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. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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## 26 Other liabilities

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Security deposits | 1,731 | 2,198 | — | — |
| | **1,731** | **2,198** | **—** | **—** |

## 27 Deferred tax liabilities

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| **The balance comprises temporary differences attributable to:** | | | | |
| **Amounts recognised in profit or loss:** | | | | |
| Intangible assets | 2,161 | 2,253 | — | — |
| Prepayments | 353 | 275 | — | — |
| Accrued revenue | — | 111 | — | — |
| Depreciation | 4,444 | 2,900 | — | — |
| **Deferred tax liabilities** | **6,958** | **5,539** | **—** | **—** |
| Movements | | | | |
| Balance at the beginning of the year | 5,539 | 6081 | — | — |
| Credited/charged to the Income Statement (see Note 10) | (609) | (1,013) | — | — |
| Credited to asset revaluation reserve (see Note 30) | 1,026 | — | — | — |
| Acquisition of businesses | 1,002 | 471 | — | — |
| **Balance at the end of the year** | **6,958** | **5,539** | **—** | **—** |
| Deferred tax liabilities to be settled within 12 months | 103 | 387 | — | — |
| Deferred tax liabilities to be settled after more than 12 months | 6,855 | 5,152 | — | — |
| | **6,958** | **5,539** | **—** | **—** |

## 28 Contributed equity

| No. of stapled securities | Details | Date of income entitlement | Note | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|---|---|---|
| 241,064,789 | Stapled securities on issue | 30 Jun 2009 | | | 316,070 | | 313,413 |
| 4,363,543 | DRP issue | 1 Jul 2009 | (i) | | 6,130 | | 5,546 |
| 36,238,555 | Placement | 1 Jul 2009 | (ii) | | 41,674 | | 37,702 |
| 21,789,359 | Security purchase plan | 1 Jul 2009 | (iii) | | 25,058 | | 22,670 |
| 3,211,391 | DRP issue | 1 Jan 2010 | (i) | | 5,404 | | 5,057 |
| 1,916,248 | Zest placement | 1 Jan 2010 | (iv) | | 2,559 | | 2,394 |
| 184,423 | ESP - stapled securities sold | 1 Jan 2010 | (v) | | 251 | | 243 |
| | **Issue costs paid** | | | | **(2,440)** | | **(2,223)** |
| 308,768,308 | Stapled securities on issue | 30 June 2010 | | 394,706 | 394,706 | 384,802 | 384,802 |
| 3,726,806 | DRP issue | 1 Jul 2010 | (i) | 3,695 | | 3,420 | |
| 271,060 | ESP - stapled securities sold | 1 Jul 2010 | (v) | 287 | | 276 | |
| 5,311,704 | DRP issue | 1 Jan 2011 | (i) | 5,244 | | 4,870 | |
| 70,100 | ESP - stapled securities sold | 1 Jan 2011 | (v) | 100 | | 97 | |
| | **Issue costs paid** | | | **(22)** | | **(22)** | |
| **318,147,978** | **Stapled securities on issue** | **30 Jun 2011** | | **404,010** | **394,706** | **393,443** | **384,802** |

(i) ***Distribution Reinvestment Plan (DRP)***
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.

(ii) ***Placement***
On 2 July 2009, the Group made a placement of 36,238,555 stapled securities at an issue price of $1.15 per security. The securities were entitled to the distribution payable for the six months ended 31 December 2009.

(iii) ***Securities purchase plan***
On 7 August 2009, the Group issued 21,789,359 stapled securities at an issue price of $1.15 per security. The securities were entitled to the distribution payable for the six months ended 31 December 2009.

(iv) ***Zest placement***
On 12 April 2010, the Group issued 1,916,248 stapled securities at an issue price of $1.66 per security to Zest Health Clubs Limited as part consideration to acquire seven health clubs. Fair value of the stapled securities on the date of issue was assessed as $1.3354 (Refer to Note 32). The securities were entitled to the distribution payable for the six months ended 30 June 2010.

(v) ***Executive Securities Plan (ESP)***
Stapled securities in the Group have been acquired by the employees of ALL, funded by a loan from the Trust, as part of ALL's ESP. These stapled securities will be given to employees in the future if certain performance targets are achieved. As there are vesting conditions attached to these contracts, the Group is deemed to have acquired and to hold the securities purc hased. In accordance with Australian Accounting Standards, the purchase of stapled securities under the ESP is treated as a purchase of the Group's own stapled securities and accordingly, the contributed equity account has been reduced.
Further information relating to the ESP is detailed in Note 29.

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## 29 Security-based payments

### a) Executives Securities Plan (ESP)

***Who can participate?***
All employees were eligible for participation at the discretion of the Board. This plan has now been superseded by the LTIP.

***Types of securities issued?***
Fully paid stapled securities were purchased on market through a non-recourse loan provided by the Trust.

***What restrictions are there on the securities?***
As the securities are issued in the name of the recipient, a trading lock is applied to these and a mortgage granted over the securities to the value of the loan.

***When can the securities vest?***
The plan contemplated that the securities would vest on the 2nd, 3rd and 4th anniversaries of the grant date assuming the vesting conditions had been met.

***What are the vesting conditions?***
Securities would not vest and have their mortgage released unless the Group achieved a pre-determined total shareholder return target by comparison with a pre-defined benchmark index.

***What does total shareholder return (TSR) 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 Benchmark Index?***
The benchmark index comprises 50% of the accumulated Property Trust 300 Index and 50% of the accumulated ASX 300 Small Ordinaries Index.

***Did any of the securities vest?***
None of the plan securities has vested since the date of grant.

In October 2006, ALL's ESP was established, whereby eligible executives were provided the opportunity to acquire stapled securities in the Group (referred to as plan securities). Prior to 1 July 2009, security-based compensation benefits were provided to certain employees via the ESP. From 1 July 2009, any future LTI will be provided to executives under the LTIP. The final plan securities in the scheme were sold in May 2011, with no plan securities vesting to executives.

Under the ESP, the plan securities are acquired at market price and are held in the executives' names. The acquisition cost is funded by a non-recourse loan provided by the Trust, secured by a mortgage over the plan securities. While the plan securities are pledged as security for the loan or are the subject of vesting criteria (detailed below), the plan securities cannot be sold, transferred or otherwise disposed of.

One-third of the plan securities will vest on the second, third or fourth anniversaries respectively from the date of grant if the vesting criteria are met on the relevant anniversary. For the vesting criteria to be met, the executive must be an employee of the Group at the time, and the total shareholder return (TSR) requirements must be achieved.

***Total shareholder return (TSR)***
In order to meet the TSR requirement, the Group's TSR is compared to a benchmark index, comprising 50% of the accumulated Property Trust 300 Index and 50% of the accumulated ASX 300 Small Ordinaries Index.

For plan securities to vest, the Group's TSR must exceed the benchmark index. Where the benchmark index is above 12.5%, then the Group's TSR must exceed this number for plan securities to vest. When the benchmark index is below 12.5% and the Group exceeds this number, then the Board has the discretion to allow plan securities to vest.

The loan has a four year term and is subject to interest calculated at the Trust's funding cost. Interest is payable six monthly at the time the distributions are paid on the plan securities. All distributions received by executives on the plan securities must be used to pay interest accrued on the loan.

On repayment of the loan, if the value of the plan securities transferred is less than the total amount of the loan owing by the executive to the Trust, no further amount is repayable by the executive. The loan will become immediately repayable on termination of employment. Plan securities that have not vested must be sold to repay the loan in full. If the plan securities have vested, the loan must be repaid within three months from termination date.

***Fair value of securities granted***
Under the requirement of AASB 2 Share-based Payment, loans granted under the ESP are accounted for as 'options' to employees because of the non-recourse loan feature. The fair value of the 'options' was calculated for each option grant and shown in the table below. The options are considered to be equity settled share based payments under AASB 2.

The trinomial options pricing model used to calculate fair value, takes into account the grant date, underlying market price, exercise price, dividend yield, volatility, risk-free interest rate, employee exit rate and market vesting conditions.

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## 29 Security-based payments (continued)

### a) Executives Securities Plan (ESP) (continued)

***Valuation inputs***

Under the requirement of AASB 2, loans granted under the ESP are accounted for as options to employees because of the non-recourse loan feature. Options were granted to executives on a number of different dates. The table below shows the fair value of the options granted on each grant date as well as the factors used to value the option:

| Tranche | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Valuation date | 30 Nov 2006 | 18 Dec 2007 | 7 Jan 2008 | 8 Jan 2008Expiry |
| Expiry date - year 2 | 30 Nov 2008 | 18 Dec 2009 | 7 Jan 2010 | 8 Jan 2010Expiry |
| Expiry date - year 3 | 30 Nov 2009 | 18 Dec 2010 | 7 Jan 2011 | 8 Jan 2011 |
| Expiry date - year 4 | 30 Nov 2010 | 18 Dec 2011 | 7 Jan 2012 | 8 Jan 2012 |
| Underlying stapled security price | $3.00 | $3.65 | $3.39 | $3.45 |
| Exercise price | $3.00 | $3.65 | $3.39 | $3.45 |
| Expected distribution yield | 6% per annum | 6% per annum | 6% per annum | 6% per annum |
| Risk free interest rate | 5.89% per annum | 7.72% per annum | 7.51% per annum | 7.51% per annum |
| Expected price volatility | 23.5% per annum | 32.8% per annum | 32.8% per annum | 32.8% per annum |
| Employee exit rate | 2% per annum | 0% per annum | 0% per annum | 0% per annum |
| Valuation per option at issue | 25.7 cents | 57.8 cents | 68.5 cents | 62.5 cents |
| Valuation per option at 30 June 2011 | 0 cents | 0 cents | 0 cents | 0 cents |

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

| | Consolidated 2011 Securities | Consolidated 2010 Securities | Parent 2011 Securities | Parent 2010 Securities |
|---|---|---|---|---|
| Securities issued to participating executives: | | | | |
| Plan securities | — | 179,777 | — | 179,777 |

| Grant date | Expiry date | Exercise price | Valuation per security | Balance at the beginning of the year | Granted | Exercised | Cancelled | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|---|---|---|
| 30 Nov 2006 | 30 Nov 2010 | $3.00 | 0 cents | 109,649 | — | — | (109,649) | — | — |
| 18 Dec 2007 | 18 Dec 2011 | $3.65 | 0 cents | 55,551 | — | — | (55,551) | — | — |
| 7 Jan 2008 | 7 Jan 2012 | $3.39 | 0 cents | 14,577 | — | — | (14,577) | — | — |
| | | | | **179,777** | **—** | **—** | **(179,777)** | **—** | **—** |

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## 29 Security-based payments (continued)

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

***Who can participate?***
All employees are eligible for participation at the discretion of the Board.

***Types of securities issued?***
Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.

***Treatment of non-Australian residents***
Due to restrictions on the issue of securities to employees who are not Australian residents, the DSTI contemplates that cash awards will be granted to those executives and will be subject to the same tenure hurdles.

***What restrictions are there on the securities?***
Performance rights are nontransferable.

***When can the securities vest?***
The plan contemplates that the performance rights will vest equally on the 1st and 2nd financial year ends 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?***
None of the performance rights has reached vesting since the date of grant as the first possible vesting date is the date following the release of the Group's full year financial results.

***Australian Employees***
Since the DSTI was approved in December 2010, long term incentives have been provided to certain executives under the DSTI. Under the terms of the DSTI participants may be granted performance rights of which one half will vest one year after grant date and one half will vest two years after grant date. The first set of performance rights were granted under the DSTI on 16 December 2010, with the first possible vesting date being the day after the full year results announcement for the year ended 30 June 2011.

The DSTI awards are considered to be equity settled share-based payments as the participants are entitled to the securities as long as they meet the DSTI service criteria.

***Fair value – Australian employees***
The fair value of the performance rights granted under the DSTI is recognised as an employee benefit expense with a corresponding increase in equity. The fair value of each grant of performance rights is determined at each reporting 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.

At each reporting date, the Group is required to revise its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each financial period takes into account the most recent estimate.

***US employees***
Due to restrictions on the issue of securities to US residents, those US executives eligible for the DSTI are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (or 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.

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

At each reporting date, the Group revises its estimate of the number of performance rights that are expected to vest and the corresponding number of securities to be acquired. The employee benefit expense recognised each period takes into account the most recent estimate.

***Valuation inputs***
The table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the date of grant:

| Tranche | 1 |
|---|---|
| Issue date | 16 Dec 2010 |
| Vesting date - year 1 | 31 Aug 2011 |
| Vesting date - year 2 | 31 Aug 2012 |
| Average risk free rate | 4.85% per annum |
| Expected price volatility | 45% per annum |
| Expected distribution yield | 10% per annum |
| Share price at grant date | $1.07 |
| Valuation per right on issue | $0.95 |

TThe table below shows the fair value of the performance rights in each grant as at 30 June 2011 as well as the factors used to value the performance rights as at 30 June 2011:

| Tranche | 1 |
|---|---|
| Issue date | 16 Dec 2010 |
| Vesting date - year 1 | 31 Aug 2011 |
| Vesting date - year 2 | 31 Aug 2012 |
| Average risk free rate | 4.70% per annum |
| Expected price volatility | 40% per annum |
| Expected distribution yield | 10% per annum |
| Share price at year end | $1.28 |
| Valuation per right at 30 June 2011 | $1.20 |

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## 29 Security-based payments (continued)

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

***Tenure hurdle***

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

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

| | Consolidated 2011 Rights | Consolidated 2010 Rights | Parent 2011 Rights | Parent 2010 Rights |
|---|---|---|---|---|
| Performance rights issued to participating executives: | | | | |
| Performance rights | 896,843 | — | — | — |

| Grant date | Expiry date | Exercise price | Valuation per right | Balance at beginning of the year | Granted | Exercised | Cancelled | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|---|---|---|
| 16 Dec 2010 | 31 Aug 2012 | nil | 95.0 cents | — | 921,866 | — | (25,023) | 896,843 | — |
| | | | | **—** | **921,866** | **—** | **(25,023)** | **896,843** | **—** |

The rights have an average maturity of 8 months.

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

***Who can participate?***

All employees are eligible for participation at the discretion of the Board.

***Types of securities issued?***

Performance rights that can be converted into fully paid securities once vested. The performance rights differ from options in that they do not carry an exercise price. Performance rights do not represent physical securities and do not carry any voting or distribution entitlements.

***Treatment of non-Australian residents***

Due to restrictions on the issue of securities to employees who are not Australian residents, the LTIP contemplates that cash awards will be granted to those executives and will be subject to the same performance hurdles.

***What restrictions are there on the securities?***

Performance rights are nontransferable.

***When can the securities vest?***

The plan contemplates that the performance rights will vest on the 2nd, 3rd and 4th financial year ends following the grant date assuming the TSR performance hurdle has been met.

***What are the vesting conditions?***

In order for any or all of the performance rights to vest under the TSR performance hurdle, 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.

***What does total shareholder return (TSR) 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 benchmark group?***

The benchmark group comprises the ASX Small Industrials Index.

***Did any of the securities vest?***

None of the performance rights has reached vesting since the date of grant.

***Australian Employees***

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

The LTIP awards are considered to be equity settled share-based payments as the participants are entitled to the securities as long as they meet the LTIP service and performance criteria.

***Fair value – Australian employees***

The fair value of the performance rights granted under the LTIP is recognised 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 complex Monte Carlo simulation valuation model and then is recognised over the vesting period during which employees become unconditionally entitled to the underlying securities.

At each reporting date, the Group is required to revise its estimate of the number of securities that are expected to vest. The employee benefit expense recognised each financial period takes into account the most recent estimate.

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*US employees*
Due to restrictions on the issue of securities to US residents, those US executives eligible for the LTIP are subject to a shadow performance rights scheme whereby a cash payment is made instead of performance rights being granted. At the end of each vesting period, the number of performance rights which would have vested is multiplied by the Group stapled security volume weighted average price (or 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.

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

At each reporting date, the Group revises its estimate of the number of performance rights that are expected to vest and the corresponding number of securities to be acquired. The employee benefit expense recognised each period takes into account the most recent estimate.

*Valuation inputs*
The table below shows the fair value of the performance rights on each grant date as well as the factors used to value the performance rights at the date of grant. This valuation is used to value the performance rights granted to Australian employees at 30 June 2011:

| Tranche | 1 | 2 |
|---|---|---|
| Issue date | 4 Dec 2009 | 16 Dec 2010 |
| Vesting date - year 2 | 31 Aug 2011 | 31 Aug 2012 |
| Vesting date - year 3 | 31 Aug 2012 | 31 Aug 2013 |
| Vesting date - year 4 | 31 Aug 2013 | 31 Aug 2014 |
| Average risk free rate | 4.64% per annum | 5.10% per annum |
| Expected price volatility | 55% per annum | 45% per annum |
| Expected distribution yield | 10% per annum | 10% per annum |
| Share price at grant date | $1.64 | $1.07 |
| Valuation per right on issue | $0.89 | $0.52 |

*Valuation inputs*
The table below shows the fair value of the performance rights for each grant as at 30 June 2011 as well as the factors used to value the performance rights as at 30 June 2011. This valuation is used to value the performance rights granted to US employees at 30 June 2011:

| Tranche | 1 | 2 |
|---|---|---|
| Issue date | 4 Dec 2009 | 16 Dec 2010 |
| Vesting date - year 2 | 31 Aug 2011 | 31 Aug 2012 |
| Vesting date - year 3 | 31 Aug 2012 | 31 Aug 2013 |
| Vesting date - year 4 | 31 Aug 2013 | 31 Aug 2014 |
| Average risk free rate | 4.72% per annum | 4.74% per annum |
| Expected price volatility | 40% per annum | 40% per annum |
| Expected distribution yield | 10% per annum | 10% per annum |
| Share price at grant date | $1.28 | $1.28 |
| Valuation per right on issue | $0.34 | $0.81 |

*Performance hurdles*
In order for any or all of the performance rights to vest under the LTIP 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% |

## 29 Security-based payments (continued)

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

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 re-invested at the distribution date and any franking credits (or similar) are ignored.

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

| | Consolidated 2011 Rights | Consolidated 2010 Rights | Parent 2011 Rights | Parent 2010 Rights |
|---|---|---|---|---|
| Performance rights issued to participating executives: | | | | |
| Performance rights | 3,269,276 | 1,957,658 | — | — |

| Grant date | Expiry date | Exercise price | Valuation per right | Balance at beginning of the year | Granted | Exercised | Cancelled | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|---|---|---|
| 4 Dec 2009 | 31 Aug 2013 | nil | 89.0 cents | 1,957,658 | — | — | (179,572) | 1,778,086 | — |
| 16 Dec 2010 | 31 Aug 2014 | nil | 52.3 cents | — | 1,582,223 | — | (91,033) | 1,491,190 | — |
| | | | | 1,957,658 | 1,582,223 | — | (270,605) | 3,269,276 | — |

The rights have an average maturity of 1 years 8 months.

The expense recorded in the year with relation to the options and performance rights was $1,276,693 (2010: $257,746).

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## 30 Reserves

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Asset revaluation reserve | | | | |
| Opening balance | 20,101 | 76,099 | — | — |
| Revaluation – Dreamworld | (4,041) | (46,747) | — | — |
| Revaluation – Bowling Group | 1,292 | 3,072 | — | — |
| Revaluation – Goodlife | 1,738 | 1,510 | — | — |
| Revaluation – Main Event | 3,108 | — | — | — |
| Tax on Main Event revaluation | (1,026) | — | — | — |
| Transfer to retained profits of revaluations previously booked on asset sales | — | (12,209) | — | — |
| Transfer to retained profits – unrealised items | — | 3,591 | — | — |
| Transfer to retained profits – realised items | (5,898) | (5,215) | — | — |
| **Closing balance** | **15,274** | **20,101** | **—** | **—** |
| Capital reserve | | | | |
| Opening balance | (4,052) | (3,470) | (2,138) | (1,556) |
| Pre-opening expenses | (697) | (483) | (697) | (483) |
| Transfer to retained profits – unrealised items | (99) | (99) | (99) | (99) |
| **Closing balance** | **(4,848)** | **(4,052)** | **(2,934)** | **(2,138)** |
| Cash flow hedge reserve | | | | |
| Opening balance | (1,993) | (2,864) | (1,993) | (2,864) |
| Movement in effective cash flow hedges | 686 | 871 | 686 | 871 |
| **Closing balance** | **(1,307)** | **(1,993)** | **(1,307)** | **(1,993)** |
| Foreign currency translation reserve | | | | |
| Opening balance | (21,904) | (18,412) | — | — |
| Translation of foreign operations | (18,002) | (3,492) | — | — |
| **Closing balance** | **(39,906)** | **(21,904)** | **—** | **—** |
| Stapled security-based payment reserve | | | | |
| Opening balance | 388 | 259 | — | — |
| Option expense | 1,322 | 129 | — | — |
| **Closing balance** | **1,710** | **388** | **—** | **—** |
| Employee share plan reserve | | | | |
| Opening balance | (4) | (7) | (4) | (7) |
| Expense | 4 | 3 | 4 | 3 |
| Closing balance | — | (4) | — | (4) |
| Performance fee reserve | | | | |
| Opening balance | 1,132 | 1,132 | 1,132 | 1,132 |
| **Closing balance** | **1,132** | **1,132** | **1,132** | **1,132** |
| Goodlife put and call option reserve | | | | |
| Opening balance | (2,269) | (2,309) | — | — |
| Gain on buy out of joint venture partner | — | 40 | — | — |
| **Closing balance** | **(2,269)** | **(2,269)** | **—** | **—** |
| **Total reserves** | **(30,214)** | **(8,601)** | **(3,109)** | **(3,003)** |

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## 30 Reserves (continued)

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

The capital reserve is used to record one off costs incurred in the identification of new acquisitions or development of new sites which are not able to be capitalised by the Group.

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity as described in Note 1(p)(ii).

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

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

The employee share plan reserve was used to recognise the interest expense charged to employees on the loan and the distributions paid to employees on the stapled securities issued as part of ALL's ESP.

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

The Group had the option to acquire the non-controlling interests in Ardent Leisure Health Clubs 1 Pty Limited. In accordance with AASB 132 Financial Instruments: Presentation, on first recognition the Group recorded the potential obligation under the put option on the Balance Sheet as a financial liability calculated as the present value of the redemption amount on the first exercise date. Under the Group's economic equity approach, the initial recognition of the redemption amount was recorded in the Goodlife put and call option reserve. Movements in the financial liability due to changes in the expected redemption amount and unwinding of the present value discount was taken to the Income Statement as finance costs in subsequent periods. During the prior period, the Group acquired the remaining interest in Ardent Leisure Health Clubs 1 Pty Limited but due to the accounting standards, the reserve remained. In addition, during the prior period, the Group acquired the remaining interest in Goodlife Unincorporated Joint Venture. The purchase price was $40,000 lower than the net assets of the entity, resulting in a reserves adjustment.

## 31 Retained profits

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Retained profits – realised items | | | | |
| Opening balance | 56,436 | 49,779 | 11,212 | 20,578 |
| Distributable earnings | 34,580 | 32,976 | 13,842 | 29,162 |
| Available for distribution | 91,016 | 82,755 | 25,054 | 49,740 |
| Transfer from asset revaluation reserve of revaluation previously booked on assets sold | — | 12,209 | — | — |
| Distribution paid and payable | (33,453) | (38,528) | (33,453) | (38,528) |
| **Closing balance** | **57,563** | **56,436** | **(8,399)** | **11,212** |

The distribution of 5.0 cents per stapled security for the half year ended 30 June 2011 totalling $15.9 million had not been declared at year end. This will be paid on or before 31 August 2011 as described in Note 43.

During the prior period, the Group sold nine AMF bowling freehold properties for $35.1 million. Six of the properties have been leased back to the Group on long term leases. A gain of $1.6 million was recorded in the prior year.

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## 31 Retained profits (continued)

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Retained profits – unrealised items | | | | |
| Opening balance | (18,840) | (7,108) | 29,575 | 72,994 |
| Property valuation gains/(losses) | 7,599 | 3,273 | 690 | (43,069) |
| Transfer from capital reserve | 796 | 582 | 796 | 582 |
| Transfer from asset revaluation reserve | — | (3,591) | — | — |
| Straight lining of fixed rent increases | (2,283) | (1,879) | (1,218) | (1,218) |
| Unrealised (losses)/gains on derivative financial instruments | 4,619 | 286 | 4,619 | 286 |
| Unrealised loss on Goodlife put and call option | — | (38) | — | — |
| Impairment of goodwill | (453) | (8,514) | — | — |
| Amortisation of Goodlife intangible assets | (2,887) | (2,645) | — | — |
| Tax impact of amortisation of Goodlife intangible assets | 866 | 794 | — | — |
| **Closing balance** | **(10,583)** | **(18,840)** | **34,462** | **29,575** |
| **Total retained profits** | **46,980** | **37,596** | **26,063** | **40,787** |

## 32 Business combinations

### Current period

***Recreation***

On 7 March 2011, the Ardent Leisure Group acquired three health clubs in Victoria. The purchase consideration was $10.1 million, of which $2.5 million was deferred for six months and $2.5 million deferred for 12 months.

Transaction costs totalling $44,000 were incurred on this project and expensed.

The acquired business contributed revenues of $2.8 million and a net profit of $0.4 million to the Group for the period from 7 March 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, the consolidated revenue and consolidated profit for the year ended 30 June 2011 would have been revenue of $9.1 million and a profit of $1.2 million.

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

| | $'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 4,983 |
| Deferred consideration | 4,775 |
| **Total purchase consideration** | **16,912** |
| Fair value of net identifiable assets acquired | 4,772 |
| **Goodwill** | **4,986** |

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

| | Acquiree's carrying amount $'000 | Fair value $'000 |
|---|---|---|
| Cash and cash equivalents | 1 | 1 |
| Inventories | 3 | 3 |
| Other current assets | 180 | 180 |
| Property, plant and equipment | 3,875 | 3,259 |
| Customer relationship intangible asset | — | 2,850 |
| Deferred tax assets | 248 | 248 |
| Payables | (851) | (851) |
| Employee provision | (63) | (63) |
| Deferred tax liabilities | — | (855) |
| **Net identifiable assets acquired** | **3,393** | **4,772** |

## 32 Business combinations (continued)

### Current period (continued)

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

***Cottesloe***

On 18 April 2011, the Ardent Leisure Group acquired one health club in Cottesloe,Western Australia. The purchase consideration was $1.5 million, of which $0.5 million was deferred for 12 months.

Transaction costs totalling $81,000 were incurred on this project and expensed.

The acquired business contributed revenues of $0.3 million and a net profit of $48k to the Group for the period from 18 April 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, the consolidated revenue and consolidated profit for the year ended 30 June 2011 would have been revenue of $1.5 million and a profit of $0.2 million.

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

| | $'000 |
|---|---:|
| Purchase consideration: | |
| Cash paid | 1,000 |
| Deferred consideration | 457 |
| **Total purchase consideration** | **1,457** |
| Fair value of net identifiable assets acquired | 579 |
| **Goodwill** | **878** |

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

| | Acquiree's carrying amount $'000 | Fair value $'000 |
|---|---:|---:|
| Inventories | 2 | 2 |
| Other current assets | 10 | 10 |
| Property, plant and equipment | 533 | 362 |
| Customer relationship intangible asset | — | 491 |
| Deferred tax assets | 54 | 54 |
| Payables | (188) | (188) |
| Employee provision | (5) | (5) |
| Deferred tax liabilities | — | (147) |
| **Net identifiable assets acquired** | **406** | **579** |

The goodwill is attributable to Cottesloe health club's strong market position and profitable trading history within the West Australian health club industry and synergies expected to arise after the Group's acquisition of this health club. None of the goodwill is expected to be deductible for tax purposes. Under AASB 3 Business Combinations, the Group has twelve months to finalise the acquisition accounting. The working capital has not yet been finalised with the previous owners and so further changes to the acquired assets may be made in the next reporting period.

***Prior period***

In the prior period, the Ardent Leisure Group bought Sky Point observation deck for $13.3 million, seven health clubs in West Australia for $4.2 million and two amusement machine centres for $2.4 million. In addition, in the prior year, the stapled security holders voted to internalise the management of the Trust. As a result of this successful vote, ALL acquired all of the shares of the Manager of the Trust from Macquarie Group Limited for $17 million. There has been no change to the accounting for any of these prior year business combinations since 30 June 2010. Details of the business combinations are shown in the 30 June 2010 financial statements.

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## 32 Business combinations (continued)

Summary of Group and parent purchase considerations during the year

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| **Outflow of cash to acquire businesses, net of cash acquired** | | | | |
| Cash consideration | 11,215 | 35,148 | — | 9,635 |
| Less balances acquired: | | | | |
| Cash and cash equivalents | (1) | (126) | — | — |
| Less: | | | | |
| Deferred settlement | (5,232) | — | — | — |
| | (5,233) | (126) | — | — |
| **Outflow of cash** | **5,982** | **35,022** | **—** | **9,635** |

## 33 Cash and cash equivalents

For the purposes of the Statements of Cash Flow, cash includes cash at banks. Cash as at 30 June 2011 as shown in the Statements of Cash Flow is reconciled to the related items in the Balance Sheets as follows:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Cash at bank | 9,635 | 11,772 | 105 | 75 |
| Cash on deposit | 71 | 71 | — | — |
| **Total cash and cash equivalents** | **9,706** | **11,843** | **105** | **75** |

Cash on deposits at call bear an average floating interest rate of 4.75% per annum (2010: 3.64% per annum). Deposits have an average maturity of 30 days.

## 34 Cash flow information

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Profit/(loss) | 36,143 | 19,060 | 17,933 | (14,839) |
| Non-cash items | | | | |
| Finance charge attributable to minority interests | (468) | (1,223) | — | — |
| Depreciation of PPE | 27,483 | 25,928 | 11,593 | 9,743 |
| Amortisation | 3,005 | 2,807 | 99 | 99 |
| Depreciation of livestock | 47 | 49 | — | — |
| Impairment of goodwill | 453 | 8,514 | — | — |
| Stapled security-based payments | 1,276 | 258 | — | — |
| Provision for doubtful debts | 100 | 125 | — | — |
| Provision for stock obsolescence | — | 44 | — | — |
| Gain)/loss on sale of PPE | (180) | (2,155) | 608 | (1,357) |
| Loss on sale of livestock | 4 | 30 | — | — |
| Net foreign exchange difference | 216 | 24 | 14,718 | 2,994 |
| Property valuation (gains)/losses | (7,599) | (3,273) | (690) | 43,069 |
| ***Classified as financing activities*** | | | | |
| Borrowing costs | 15,922 | 16,942 | 15,514 | 16,236 |
| ***Classified as investing activities*** | | | | |
| Distributions received | — | — | (5,406) | (7,541) |
| Unrealised (gains)/losses on derivatives | (4,619) | (248) | (4,619) | (286) |
| ***Changes in asset and liabilities:*** | | | | |
| Decrease/(increase) in assets | | | | |
| — Receivables | (183) | 2,364 | 113 | 1,527 |
| — Inventories | 580 | 198 | — | — |
| — Other assets | 3,927 | (1,464) | (425) | (761) |
| Increase/(decrease) in liabilities | | | | |
| — Payables and other liabilities | 123 | 2,185 | 1,812 | (1,136) |
| — Provisions | 380 | (408) | — | — |
| — Current tax assets/liabilities | 1,436 | 180 | — | — |
| — Deferred tax liabilities | (608) | (1,013) | — | — |
| **Net cash flows from operating activities** | **77,438** | **68,924** | **51,250** | **47,748** |

b) Non-cash financing and investing activities

The following items are not reflected in the Cash Flow Statement:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Distributions by the Group satisfied during the year by the issue of stapled securities under the DRP | 8,939 | 11,534 | 8,290 | 11,534 |

## 35 Net tangible assets

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|
| Net tangible assets are calculated as follows: | | |
| Total assets | 689,437 | 696,979 |
| Less: Intangible assets | (134,116) | (138,643) |
| Less: Total liabilities | (268,661) | (273,278) |
| **Net tangible assets** | **286,660** | **285,058** |
| Total number of stapled securities on issue | 318,147,978 | 308,768,308 |
| Net tangible asset backing per stapled security | $0.90 | $0.92 |



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## 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 (Chairman)
- Roger Davis
- Anne Keating
- Greg Shaw
- George Venardos.

### b) Parent entity

The parent entity of the Group is Ardent Leisure Trust.

### c) Controlled entities

The Trust's interest in controlled entities is disclosed in Note 22.

### d) Transactions with related parties

Macquarie Group Limited (Macquarie) owned 100% of the Manager of the Trust until 1 September 2009 and so was considered a related party until that date. ALL acquired all of the shares of the Manager of the Trust on 1 September 2009 for $17 million.

Macquarie was reimbursed $nil (2010: $28,527) for management and company secretarial services provided to ALL. In addition, the $17 million paid to Macquarie in the 2010 financial year for all of the shares of the Manager included the settlement of an additional $960,000 for other reimbursable costs which would have otherwise been recharged by Macquarie for the year ended 30 June 2009.

Macquarie Asset Services Limited was paid $nil (2001: $137,375) for property consulting provided for the year. This includes costs incurred after the acquisition of the Manager but for work contracted before acquisition.

Before the Manager was acquired by the Group, the Manager received a base management fee of $nil (2010: $426,586) and no performance fee in either the year ended 30 June 2011 or 30 June 2010. Refer to Note 7 for further details on the Manager's fees.

Transactions with key management personnel are shown in Note 37.

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## 36 Related party disclosures (continued)

### e) 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 transactions incurred in the year with controlled entities were:

| | Consolidated 2011 $ | Consolidated 2010 $ | Parent 2011 $ | Parent 2010 $ |
|---|---|---|---|---|
| Revenue from rentals received from related parties | — | — | 73,343,967 | 68,269,422 |
| Interest received from related parties | — | — | 7,973,201 | 7,278,475 |
| | **—** | **—** | **81,317,168** | **75,547,897** |

In addition to the above transactions, the Trust will reimburse ALL for any costs ALL incurs on behalf of the Trust. These will include the payment of property expenses and capital expenditure for investment properties and property, plant and equipment.

The balances with controlled entities at the end of the year were:

| | Consolidated 2011 $ | Consolidated 2010 $ | Parent 2011 $ | Parent 2010 $ |
|---|---|---|---|---|
| Interest bearing receivables from related parties | — | — | 138,719,267 | 150,455,864 |
| Related party payables | — | — | (2,602,068) | (835,331) |
| | **—** | **—** | **136,117,199** | **149,620,533** |

## 37 Key management personnel

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. Prior to the internalisation of the Manager on 1 September 2009, the Manager and the Directors of ALL met the definition of KMP as they had this authority in relation to the activities of the Group. These powers had not been delegated by the Manager or Directors of ALL to any other person. The management fee paid to the Manager is disclosed in Note 7.

For the year ended 30 June 2011, KMP is considered to also include the Chief Executive Officer, Greg Shaw, the Chief Financial Officer, Richard Johnson, as well as other senior executives employed by the Group.

As at 30 June 2011, the KMP are considered to be:

- Neil Balnaves, AO (Chairman)
- Anne Keating (Director)
- Roger Davis (Director)
- George Venardos (Director)
- Greg Shaw (Director and CEO)
- Richard Johnson (CFO)
- Noel Dempsey (CEO – Theme parks)
- Roy Menachemson (CEO – Development)
- Jordan Rodgers (CEO – Bowling)
- Greg Oliver (CEO – Health clubs)
- Charlie Keegan (CEO – Main Event)
- Marcus Anketell (CEO – Marinas).

With the exception of Noel Dempsey resigning from the Group on 31 July 2011, there have been no changes to KMP since 30 June 2011.

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## 37 Key management personnel (continued)

### a) Key remuneration objectives

During the financial year the Remuneration and Nomination Committee engaged consultants from Deloitte Touche Tomatsu to review the remuneration structure in place for the Group's KMP and to undertake a benchmarking exercise on the remuneration packages of the Managing Director and the Chief Financial Officer. These remuneration packages are set out in the table below:

| Position | Base salary | (STI) | (DSTI) | (LTI) | Total target remuneration |
|---|---|---|---|---|---|
| Chief Executive Officer | $750,000 | 50% | 25% | 37.5% | $1,593,750 |
| Chief Financial Officer | $400,000 | 50% | 25% | 37.5% | $850,000 |

It should be noted that the STI, DSTI and LTI figures set out above are considered "at risk" and will only be paid if performance targets have been achieved.

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

***i) Non-Executive Directors***

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

Non-Executive Directors are paid solely by the way of directors' fees and do not participate in any equity or short term cash based incentives schemes. Non-Executive Directors bring a depth of experience and knowledge to their roles and are a key component in the effective operation of the Board. The maximum aggregate of directors' fees payable to Directors of the Group is set out in clause 16.1 of the Constitution of Ardent Leisure Limited. The maximum total aggregate level of directors' fees payable by the Group is $740,000 per annum and was set by securityholders at the 29 October 2009 general meeting.

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

| Position | Annual fee |
|---|---|
| Chairman | $175,000 |
| Other Non-Executive Director | $110,000 |
| Audit & Risk Committee – Chair | $20,000 |
| – Member | $15,000 |
| Other Board Committee membership | $7,500 |

***ii) Executive pay***

The executive pay and reward framework has three components:

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

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

| Base Pay | Performance incentives | | |
|---|---|---|---|
| | STI | DSTI | LTI |
| A total employment cost which can be made up of a mix of cash salary, non-financial benefits such as provision of a motor vehicle and employer superannuation contributions. | Cash performance bonus set against pre-determined key performance indicators | Equity incentive based upon actual cash bonus paid and deferred for 1 and 2 years. | Equity incentive aligned to targeted investor returns. |
| SECURE | AT RISK | AT RISK | AT RISK |

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## 37 Key management personnel (continued)

*Base pay*
Base pay includes salary, employer superannuation contributions and non-cash benefits such as provision of 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 take the form of either short term incentive (STI), Deferred short term incentive (DSTI) or long term incentive (LTI).

*STI*
The STI or bonus program is designed to reward executives for achievement of a number of key performance indicators (KPIs). These KPIs are usually based on Group, individual business and personal objectives and are not necessarily financial in nature. Elements of risk mitigation, compliance and strategic initiatives can all be taken into account when setting an executive's KPIs. If an executive achieves their KPIs and should the Group or relevant division achieve a pre-determined profit target, then cash bonuses are awarded by the Remuneration and Nomination Committee. These bonuses are traditionally payable in cash by 30 September each year. Using a profit target ensures variable award is only available when value has been created for investors and when profit is consistent with the Group's business plan.

Maximum achievable awards to KMP under the STI range between 25% and 50% of an executive's base salary (including superannuation) dependent upon the executive's position.

*DSTI*
The DSTI program was established by the Directors on 16 December 2010 to provide a retention incentive for key employees. The DSTI is linked to the actual achievement of KPIs under the STI with a percentage of the actual STI paid to an executive being matched in performance rights to acquire fully paid Group stapled securities for $nil exercise price. The performance rights issued under the DSTI vest in two equal tranches in 12 months and 24 months.

It should be noted that KMP are required to forego a component of their LTI entitlement in order to participate in the DSTI. In this way, a component of the LTI is simply moved into the DSTI and overall remuneration packages remain broadly unchanged.

*LTI*
The Long Term Incentive Plan (LTIP) was established by the Board of Directors in 2009 to replace the Executive Securities Plan and to take into account changes to the Australian taxation regime in relation to employee share plans. Awards of performance rights under the LTIP range between 10% and 37.5% of an executive's base salary (including superannuation) dependent upon the executive's role. Further details of the LTI are set out in section (j) below.

*Alignment with securityholder 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, short term and long term incentives.

In the 2011 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 new DSTI plan is aligned to these KPIs and as a two year retention tool ensures that earnings targets are not achieved at the expense of long term profitability and growth.

The LTIP further aligns executives' remuneration with long term investor returns through the Total Shareholder Return performance hurdle. 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 ASX Small Industrials index.

### c) Details of remuneration – key management personnel
Key management personnel (KMP) are defined in AASB 124 as those having authority and responsibility for planning, directing and controlling the activities of the Group. Prior to the internalisation of the Manager of 1 September 2009, the Manager and the Directors of ALL met the definition of KMP as they had this authority in relation to the activities of the Group. These powers had not been delegated by the Manager or Directors of ALL to any other person. The management fee paid to the Manager is disclosed in Note 7.

For the year ended 30 June 2011, KMP is considered to also include the Chief Executive Officer, Greg Shaw, the Chief Financial Officer, Richard Johnson, as well as other senior executives employed by the Group.

Details of the remuneration of KMP of the Group for 2011 and 2010 are set out in the tables on the following pages. The tables set out the total cash benefits paid to the KMP in the relevant period and under the heading "Security Based Payments", shows a component of the fair value of the performance rights. The fair value of the performance rights at grant date is recognised over the vesting period as an employee expense. Further details of the fair value calculations are set out in sections (h), (i) and (j).

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## 37 Key management personnel (continued)

| 2011 | Short-term benefits | | Post-employment benefits | | Other long-term benefits | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary $ | Cash bonus $ | Super-annuation $ | Retirement $ | Retention $ | Other $ | Termination $ | Total cash payment $ | Security-based payment $ | Total $ | Security-based payment % of total |
| **Executive Directors** | | | | | | | | | | | |
| Greg Shaw [1] | | | | | | | | | | | |
| Chief Executive Officer | 700,000 | 226,875 | 50,000 | — | — | — | — | 976,875 | 357,422 | 1,334,297 | 26.8% |
| **Independent Directors** | | | | | | | | | | | |
| Neil Balnaves, AO | 182,300 | — | 15,200 | — | — | — | — | 197,500 | — | 197,500 | — |
| Anne Keating | 113,020 | — | 10,172 | — | — | — | — | 123,192 | — | 123,192 | — |
| Roger Davis | 128,440 | — | 11,560 | — | — | — | — | 140,000 | — | 140,000 | — |
| George Venardos [2] | 131,613 | — | 11,845 | — | — | — | — | 143,458 | — | 143,458 | — |
| **Key Management Personnel** | | | | | | | | | | | |
| Richard Johnson [3] | | | | | | | | | | | |
| Chief Financial Officer | 375,000 | 131,000 | 25,000 | — | — | — | — | 531,000 | 193,922 | 724,922 | 26.8% |
| Noel Dempsey [4] | | | | | | | | | | | |
| CEO – Theme parks | 321,174 | 41,038 | 13,826 | — | — | — | — | 376,038 | 28,530 | 404,568 | 7.1% |
| Roy Menachemson | | | | | | | | | | | |
| CEO – Development | 325,850 | 161,875 | 50,000 | — | — | — | — | 537,725 | 80,484 | 618,209 | 13.0% |
| Jordan Rodgers | | | | | | | | | | | |
| CEO – Bowling | 311,801 | 59,063 | 15,199 | — | — | — | — | 386,063 | 100,906 | 486,969 | 20.7% |
| Greg Oliver [5] | | | | | | | | | | | |
| CEO – Health Clubs | 305,863 | — | 15,199 | — | — | — | — | 321,062 | 37,269 | 358,331 | 10.4% |
| Charlie Keegan [6] | | | | | | | | | | | |
| CEO – Main Event | 248,543 | 40,333 | — | — | — | — | — | 288,876 | 52,887 | 341,763 | 15.5% |
| Craig Karpin [7] | | | | | | | | | | | |
| CEO – Marinas | 41,148 | — | 3,849 | — | — | — | — | 44,997 | (13,507) | 31,490 | -42.9% |
| Marcus Anketell [8] | | | | | | | | | | | |
| CEO – Marinas | 78,723 | — | 4,870 | — | — | — | — | 83,593 | — | 83,593 | — |
| | **3,263,475** | **660,184** | **226,720** | **—** | **—** | **—** | **—** | **4,150,379** | **837,913** | **4,988,292** | **16.8%** |

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## 37 Key management personnel (continued)

| 2011 | Short-term benefits | | Post-employment benefits | | Other long-term benefits | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary $ | Cash bonus $ | Super-annuation $ | Retirement $ | Retention $ | Other $ | Termination $ | Total cash payment $ | Security-based payment $ | Total $ | Security-based payment % of total |
| **Executive Directors** | | | | | | | | | | | |
| Greg Shaw [1] | | | | | | | | | | | |
| Chief Executive Officer | 580,264 | — | 44,736 | — | — | — | — | 625,000 | 120,600 | 745,600 | 16.2% |
| John Wright [9] | — | — | — | — | — | — | — | — | — | — | — |
| Simon Jones [9] | — | — | — | — | — | — | — | — | — | — | — |
| **Independent Directors** | | | | | | | | | | | |
| Neil Balnaves, AO | 174,302 | — | 15,906 | — | — | — | — | 190,208 | — | 190,208 | — |
| Anne Keating | 104,745 | — | 12,130 | — | — | — | — | 116,875 | — | 116,875 | — |
| Roger Davis | 133,965 | — | 12,285 | — | — | — | — | 146,250 | — | 146,250 | — |
| George Venardos [2] | 98,006 | — | 8,821 | — | — | — | — | 106,827 | — | 106,827 | — |
| George Bennett [10] | 68,333 | — | — | — | — | — | — | 68,333 | — | 68,333 | — |
| **Key Management Personnel** | | | | | | | | | | | |
| Richard Johnson [3] | | | | | | | | | | | |
| Chief Financial Officer | 314,232 | — | 19,101 | — | — | — | — | 333,333 | 64,320 | 397,653 | 16.2% |
| Noel Dempsey [4] | | | | | | | | | | | |
| CEO – Theme parks | 320,539 | 82,468 | 14,461 | — | — | — | — | 417,468 | 26,934 | 444,402 | 6.1% |
| Roy Menachemson | | | | | | | | | | | |
| CEO – Development | 292,739 | 148,750 | 72,261 | — | — | — | — | 513,750 | 25,215 | 538,965 | 4.7% |
| Jordan Rodgers | | | | | | | | | | | |
| CEO – Bowling | 300,539 | 78,750 | 13,256 | — | — | — | — | 392,545 | 36,081 | 428,626 | 8.4% |
| Leon McNiece [11] | | | | | | | | | | | |
| CEO – Health Clubs | 304,291 | 49,350 | 13,256 | — | — | — | — | 366,897 | (43,761) | 323,136 | — |
| Greg Oliver [5] | | | | | | | | | | | |
| CEO – Health Clubs | 21,434 | — | 1,205 | — | — | — | — | 22,639 | — | 22,639 | — |
| Charlie Keegan [6] | | | | | | | | | | | |
| CEO – Main Event | 293,558 | 59,425 | — | 860 | — | — | — | 353,843 | 6,124 | 359,967 | 1.7% |
| Craig Karpin [7] | | | | | | | | | | | |
| CEO – Marinas | 183,556 | 41,925 | 26,384 | — | — | — | — | 251,865 | 13,507 | 265,372 | 5.1% |
| | **3,190,503** | **460,668** | **253,802** | **860** | **—** | **—** | **—** | **3,905,833** | **249,020** | **4,154,853** | **6.0%** |

(1) Appointed a Director on 22 September 2009. Prior to 1 September 2009, Greg Shaw was employed by Macquarie and so remuneration paid prior to this date is not included in the table above as it was payable by Macquarie. In year ended 30 June 2010, stapled security benefits were accrued based on anticipated benefits issued in the year ended 30 June 2010 but the grant of performance rights was still subject to security holder approval in accordance with ASX Listing Rules. As at 30 June 2011, the grant of the performance rights for both those issued in the year ended 30 June 2010 and 2011 had been approved.

(2) Appointed a Director on 22 September 2009.

(3) Prior to 1 September 2009, Richard Johnson was employed by Macquarie and so remuneration paid prior to this date is not included in the table above as it was payable by Macquarie.

(4) Noel Dempsey resigned on 31 July 2011.

(5) Greg Oliver joined the Group as CEO of the health club division on 7 June 2010 and is considered KMP from this date.

(6) Charlie Keegan is paid in US$. For the purposes of this table, the salary disclosed above is calculated at the year end exchange rate for each year being 2011: 1.0717 (2010: 0.8414).

(7) Craig Karpin resigned on 18 August 2010.

(8) Marcus Anketell was appointed CEO of the marina division on 1 February 2011 and is considered KMP from this date.

(9) Employed by Macquarie and none of their salaries were recharged to the Group. John Wright resigned as a Director of the Manager and ALL on 1 September 2009. Simon Jones resigned as a Director of the Manager on 1 September 2009.

(10) George Bennett resigned as a Director on 28 February 2010.

(11) Leon McNiece resigned on 6 June 2010.

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## 37 Key management personnel (continued)

Prior to 1 September 2009, the Manager was a wholly owned subsidiary of Macquarie and therefore directors' fees charged to the Manager prior to this date were payable by Macquarie and so are not included in the table above. The remuneration for Neil Balnaves, AO, George Bennett and Anne Keating excludes $nil (2010: $24,167) for directors' fees paid or payable by the Manager and not recharged to the Group. The remuneration for Neil Balnaves, AO, George Bennett and Anne Keating includes $nil (2010: $16,666) for compliance fees and Audit & Risk Committee fees incurred before the internalisation and paid by the Manager to the Independent Directors. These fees are not included in the Directors' fees pool mentioned in Note 37(b)(i) as these fees were not paid by ALL or its subsidiaries.

No termination benefits were paid during the current or preceding 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. This amount is based on the fair value of the equity instruments at the date of the grant rather than at vesting date or at year end for those instruments not yet vested. During the year, no plan securities or performance rights vested (2010: nil) to KMP. 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 $184,000 to $654,000 (2010: $138,000 to $111,000).

### d) Services 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 provision 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. All contracts with executives may be terminated early by either party with up to six months notice, subject to termination payments.

**Greg Shaw**
Chief Executive Officer
Initial Term
3 years commencing 1 September 2009 with automatic renewal on a year by year basis thereafter.
Base Salary
$750,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless the executive gives the Group 6 months notice in writing, or the Group gives the executive 12 months notice in writing.

**Richard Johnson**
Chief Financial Officer
Initial Term
3 years commencing 1 September 2009 with automatic renewal on a year by year basis thereafter.
Base Salary
$400,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives 6 months notice in writing.

**Noel Dempsey**
CEO – Theme Parks
Initial Term
No fixed term.
Base Salary
$335,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

**Roy Menachemson**
CEO – Development
Initial Term
No fixed term.
Base Salary
$375,850 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives six months notice in writing.

**Jordan Rodgers**
CEO – Bowling
Initial Term
No fixed term.
Base Salary
$327,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

**Greg Oliver**
CEO – Health Clubs
Initial Term
No fixed term.
Base Salary
$327,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

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**Charlie Keegan**
CEO – Main Event
Initial Term
Contract automatically renews on a year by year basis.
Base Salary
U$275,000 for the year ended 30 June 2011.
Termination
The executive may give 60 days notice for voluntary termination or 30 days for Good Reason as defined in the contract. The Group may terminate the executive at any time. If termination is for reason other than misconduct or for Good Reason then the Group must pay a severance payment equal to 12 months salary.

**Marcus Anketell**
CEO – Marinas Division
Initial Term
No fixed term.
Base Salary
$200,000 for the year ended 30 June 2011.
Termination
Employment shall continue with the Group unless either party gives three months notice in writing.

All base salary amounts are inclusive of any superannuation payment and will be reviewed annually. In addition to the base salary above, Greg Oliver is guaranteed an STI of 30% of his base salary for the first year of his employment being year ending 30 June 2011. There are no contracted termination benefits payable to any KMP except for normal contractual base salary to the end of the KMP's employment.

e) Directors and KMP equity holdings
The number of stapled securities held directly, indirectly or beneficially by the Directors and KMP or their related entities is:

| | Stapled securities held 2011 | Stapled securities held 2010 |
|---|---|---|
| Neil Balnaves, AO | 298,105 | 209,043 |
| Anne Keating | 62,743 | 62,743 |
| Roger Davis | 50,857 | 20,000 |
| George Venados | 84,581 | 45,502 |
| Greg Shaw | 159,277 | 143,294 |
| Richard Johnson | — | — |
| Noel Dempsey | — | — |
| Roy Menachemson [(1)] | 38,398 | 71,696 |
| Jordan Rodgers [(1)] | — | 45,520 |
| Greg Oliver | — | — |
| Charlie Keegan | — | — |
| Marcus Anketell[(2)] | — | n/a |
| Craig Karpin [(3)] | n/a | — |

(1) Stapled securities held include securities held under the ESP – see section 10f of the remuneration report
(2) Executive was not considered KMP at 30 June 2010
(3) Executive no longer considered KMP at 30 June 2011

The aggregate number of stapled securities of the Group acquired or disposed of by Directors and KMP was:

| | Stapled securities held 2011 | Stapled securities held 2010 |
|---|---|---|
| Acquisitions | | |
| Neil Balnaves, AO | 89,062 | 13,043 |
| Anne Keating | — | 13,043 |
| Roger Davis | 30,857 | 20,000 |
| George Venardos | 39,079 | 45,502 |
| Greg Shaw | 15,983 | 5,330 |
| | **174,981** | **96,918** |
| Disposals | | |
| Roy Menachemson | 33,298 | 33,298 |
| Jordan Rodgers | 45,520 | 22,760 |
| | **78,818** | **56,058** |

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## 37 Key management personnel (continued)

### f) Loans to KMP

There were no loans to KMP during the financial year or prior corresponding period apart from those used to by stapled securities in the Group as part of the ESP. As noted in Note 29(a), the loans to executives are non-recourse loans provided by the Trust and are secured by a mortgage over the plan securities.

### g) Other transactions with KMP

During the year, the Group entered into commercial arm's length agreements with companies of interest to Anne Keating and Roger Davis 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 above fees and transactions were all based on normal commercial terms and conditions. Related party balances above are on interest free terms.

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

### h) Executive securities plan (ESP)

The ESP was the long term incentives awarded to executives in the Group prior to the adoption of the LTIP in the year ended 30 June 2011. Details of how the ESP operated and the original valuation inputs are shown in Note 29(a).

The number of share options on issue and granted to the Group's KMP under the ESP is set out below:

| | Opening balance | Granted as compensation | Exercised | Other charges | Closing balance | Exercise of options granted | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|
| Roy Menachemson | 33,298 | — | — | (33,298) | — | $3.00 | — | — |
| Jordan Rodgers | 45,520 | — | — | (45,520) | — | $3.65 | — | — |
| | **78,818** | **—** | **—** | **(78,818)** | **—** | | **—** | **—** |

The options lapsed had nil value at date of lapsing.

Plan securities granted to executives vest over varying periods of two, three and four years, provided the vesting conditions are met. No plan securities will vest if the conditions are not satisfied, hence the minimum value of the plan securities yet to vest is $nil. As at 30 June 2011, all plan securities have lapsed.

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

The DSTI is a long term incentive scheme awarded to executives of the Group from 1 July 2010. Details of how the DSTI operated and the valuation inputs are disclosed in Note 29(b).

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

| | Opening balance | Granted as compensation | Exercised | Other charges | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Greg Shaw | — | 138,338 | — | — | 138,338 | — | 138,338 |
| Richard Johnson | — | 79,878 | — | — | 79,878 | — | 79,878 |
| Noel Dempsey | — | 50,046 | — | (25,023) | 25,023 | — | 25,023 |
| Roy Menachemson | — | 49,352 | — | — | 49,352 | — | 49,352 |
| Jordan Rodgers | — | 72,028 | — | — | 72,028 | — | 72,028 |
| Greg Oliver | — | 49,848 | — | — | 49,848 | — | 49,848 |
| **Equity-settled** | **—** | **439,490** | **—** | **(25,023)** | **414,467** | **—** | **414,467** |
| Charlie Keegan | — | 52,713 | — | — | 52,713 | — | 52,713 |
| **Cash-settled** | **—** | **52,713** | **—** | **—** | **52,713** | **—** | **52,713** |
| **Total rights issued** | **—** | **492,203** | **—** | **(25,023)** | **467,180** | **—** | **467,180** |

Performance rights granted to executives vest over varying periods of one and two years, provided the vesting conditions are met. No 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.

Under the terms of the initial grant, performance rights under the DSTI were allocated on the basis of a valuation dated 23 August 2010. A valuation difference of $0.13 per performance right between the allocation date and the grant date was caused by an increase in the Group's security price between these dates and a shorter vesting period.

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## 37 Key management personnel (continued)

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

A table setting out the maximum value of the performance rights under the DSTI yet to vest is shown in section (j).

### j) Long term incentive plan (LTIP)

The LTIP is the long term incentive scheme awarded to executives of the Group from 1 July 2009. Details of how the LTIP operated and the valuation inputs are disclosed in Note 29c.

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

| | Opening balance | Granted as compensation | Exercised | Other charges | Closing balance | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Greg Shaw | 588,974 | 611,413 | — | — | 1,200,387 | — | 1,200,387 |
| Richard Johnson | 314,120 | 326,087 | — | — | 640,207 | — | 640,207 |
| Noel Dempsey | 131,538 | 91,033 | — | (178,725) | 43,846 | — | 43,846 |
| Roy Menachemson | 109,942 | 117,668 | — | — | 227,610 | — | 227,610 |
| Jordan Rodgers | 123,685 | 88,859 | — | — | 212,544 | — | 212,544 |
| Greg Oliver | — | 88,859 | — | — | 88,859 | — | 88,859 |
| Craig Karpin | 65,965 | — | — | (65,965) | — | — | — |
| **Equity-settled** | **1,334,224** | **1,323,919** | — | **(244,690)** | **2,413,453** | — | **2,413,453** |
| Charlie Keegan | 77,588 | 55,360 | — | — | 132,948 | — | 132,948 |
| **Cash-settled** | **77,588** | **55,360** | — | — | **132,948** | — | **132,948** |
| **Total rights issued** | **1,411,812** | **1,379,279** | **-** | **(244,690)** | **2,546,401** | **-** | **2,546,401** |

Performance rights granted to executives vest over varying periods of two, three and four years, provided the vesting conditions are met. No 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.

Under the terms of the initial grant, performance rights under the LTIP were allocated on the basis of a valuation dated 11 November 2009. A valuation difference of $0.2033 per performance right between the allocation date and the grant date was caused by an increase in the Group's security price between these dates.

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

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## 37 Key management personnel (continued)

### j) Long term incentive plan (LTIP) (continued)

| | Financial year granted | Vested | Fordeited | Financial years in which most options may vest | | | Minimum total value of grant yet to vest | Maximum total value of grant yet to vest |
|---|---|---|---|---|---|---|---|---|
| | | % | % | Year | Number LTI | Number DSTI | $ | $ |
| Greg Shaw | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 196,325 | 69,169 | — | 975,581 |
| | | — | — | 2013 | 400,129 | 69,169 | — | — |
| | | — | — | 2014 | 400,128 | — | — | — |
| | | — | — | 2015 | 400,128 | — | — | — |
| Richard Johnson | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 104,707 | 39,939 | — | 526,103 |
| | | — | — | 2013 | 213,403 | 39,939 | — | — |
| | | — | — | 2014 | 213,402 | — | — | — |
| | | — | — | 2015 | 108,695 | — | — | — |
| Noel Dempsey | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 43,846 | 25,023 | — | 64,484 |
| | | — | — | 2013 | — | — | — | — |
| | | — | — | 2014 | — | — | — | — |
| | | — | — | 2015 | — | — | — | — |
| Roy Menachemson | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 36,647 | 24,676 | — | 206,312 |
| | | — | — | 2013 | 75,870 | 24,676 | — | — |
| | | — | — | 2014 | 75,871 | — | — | — |
| | | — | — | 2015 | 39,222 | — | — | — |
| Jordan Rodgers | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 41,228 | 36,014 | — | 225,010 |
| | | — | — | 2013 | 70,848 | 36,014 | — | — |
| | | — | — | 2014 | 70,849 | — | — | — |
| | | — | — | 2015 | 29,619 | — | — | — |
| Greg Oliver | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | — | 24,924 | — | 73,453 |
| | | — | — | 2013 | 29,620 | 24,924 | — | — |
| | | — | — | 2014 | 29,620 | — | — | — |
| | | — | — | 2015 | 29,619 | — | — | — |
| Charlie Keegan | 2010 and 2011 | | | | | | | |
| | - LTI and DSTI | — | — | 2012 | 25,863 | 26,357 | — | 134,219 |
| | | — | — | 2013 | 44,316 | 26,356 | — | — |
| | | — | — | 2014 | 44,315 | — | — | — |
| | | — | — | 2015 | 18,454 | — | — | — |

## 38 Segment information

### Business segments

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

*Theme Parks*

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

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## 38 Segment information (continued)

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

*Bowling centres*
This segment comprises 48 centres located in Australia and New Zealand.

*Family entertainment centres*
This segment comprises of nine Main Event sites in Texas, United States of America.

*Health clubs*
This comprises 44 centres in Queensland, New South Wales, Victoria, South Australia and Western Australia.

*Other*
This segment includes a fractional boat ownership business in Sydney, New South Wales, commission revenue received for Australian Tour Desk and management fees earned in managing the Adventure World theme park in Perth, Western Australia.

Following the adoption of AASB 8 Operating Segments, the number of segments has increased as the new standard requires a management approach whereby information is presented on such basis as it has for internal reporting purposes.

The main income statement items used by management to assess each of the divisions are divisional revenue and divisional EBITDA before property costs and after property costs. In addition, depreciation and amortisation are analysed by division. Each of these income statement items is looked at after adjusting for pre-opening expenses, straight lining of rent, IFRS depreciation, amortisation of Goodlife intangible assets and impairment of goodwill. As shown in Note 11, these items are excluded from management's definition of core earnings.

Under AASB 8, adjustments are allowed to be made to the disclosed segment result to reflect how management runs the businesses. A reconciliation of the adjustments to the prior period comparatives has been provided.

### Business segment 2011

| | Theme Parks $'000 | Marinas $'000 | Bowling $'000 | Family entertainment centres $'000 | Health clubs $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Revenue from operating activities | 101,550 | 23,651 | 108,680 | 50,587 | 90,022 | 1,366 | 375,856 |
| Divisional EBITDA before property costs [1] | 34,181 | 13,244 | 36,003 | 16,964 | 33,709 | 539 | 134,640 |
| Divisional EBITDA [2] | 32,263 | 10,996 | 14,598 | 11,012 | 16,443 | 539 | 85,851 |
| Depreciation and amortisation [3] | (4,783) | (701) | (7,526) | (4,557) | (3,588) | (596) | (21,751) |
| Divisional EBIT [4] | 27,480 | 10,295 | 7,072 | 6,455 | 12,855 | (57) | 64,100 |
| Pre-opening expenses, straight lining of rent, IFRS depreciation, Goodlife intangible asset amortisation and impairment of goodwill not included in divisional EBIT [4] | | | | | | | (12,218) |
| Property valuation gains | | | | | | | 7,599 |
| Derivative gains | | | | | | | 1,389 |
| Corporate expenses (includes head office costs, interest income, foreign exchanges gains and losses and gains and losses on disposal of assets) | | | | | | | (8,269) |
| Borrowing costs | | | | | | | (15,922) |
| Net tax benefit | | | | | | | (1,004) |
| Finance costs attributable to non-controlling interest holders | | | | | | | 468 |
| **Profit** | | | | | | | **36,143** |
| Total assets | 262,113 | 98,912 | 114,152 | 82,725 | 114,155 | 17,380 | **689,437** |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 13,583 | 2,861 | 14,779 | 3,215 | 21,391 | 425 | **56,254** |

(1) Excludes pre-opening expenses of $697,000.
(2) Excludes straight lining of rent of $2,283,000 and pre-opening expenses of $697,000.
(3) Excludes IFRS depreciation of $5,898,000 and amortisation of Goodlife intangible assets totalling $2,887,000.
(4) Comprises of pre-opening expenses of $697,000, straight lining of rent of $2,283,000, IFRS depreciation of $5,898,000, amortisation of Goodlife intangibles assets of $2,887,000 and impairment of goodwill of $453,000.

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Business segment 2010

| | Theme Parks $'000 | Marinas $'000 | Bowling $'000 | Family entertainment centres $'000 | Health clubs $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Revenue from operating activities | 98,617 | 22,684 | 102,015 | 51,978 | 73,385 | 1,721 | 350,400 |
| Divisional EBITDA before property costs [1] | 33,236 | 11,991 | 32,621 | 16,692 | 27,083 | 586 | 122,209 |
| Divisional EBITDA [2] | 31,075 | 9,591 | 13,973 | 9,939 | 12,656 | 586 | 77,820 |
| Depreciation and amortisation [3] | (4,499) | (735) | (5,615) | (4,970) | (3,616) | (1,489) | (20,924) |
| Divisional EBIT [4] | 26,576 | 8,856 | 8,358 | 4,969 | 9,040 | (903) | 56,896 |
| Pre-opening expenses, straight lining of rent, IFRS depreciation, Goodlife intangible asset amortisation and impairment of goodwill not included in Divisional EBIT [4] | | | | | | | (18,736) |
| Property valuation gains | | | | | | | 3,273 |
| Derivative gains | | | | | | | 685 |
| Corporate expenses (includes head office costs, interest income, foreign exchanges gains and losses and gains and losses on disposal of assets | | | | | | | (8,088) |
| Borrowing costs | | | | | | | (16,942) |
| Net tax benefit | | | | | | | 749 |
| Finance costs attributable to non-controlling interest holders | | | | | | | 1,223 |
| **Profit** | | | | | | | **19,060** |
| Total assets | 279,089 | 89,339 | 107,188 | 103,093 | 101,176 | 17,094 | **696,979** |
| Acquisitions of property, plant and equipment, investment properties and intangible assets | 17,172 | 2,935 | 16,830 | 5,267 | 8,664 | 17,620 | **68,488** |

[1] Excludes pre-opening expenses of $483,000.
[2] Excludes straight lining of rent of $1,879,000 and pre-opening expenses of $483,000.
[3] Excludes IFRS depreciation of $5,215,000 and amortisation of Goodlife intangible assets totalling $2,645000.
[4] Excludes pre-opening expenses of $483,000, straight lining of rent of $1,879,000, IFRS depreciation of $5,215,000, amortisation of Goodlife intangibles assets of $2,645,000 and impairment of goodwill of $8,514,000.

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## 39 Capital and financial risk management

### a) Capital risk management

The Group's objectives when managing capital is to optimise stapled security holder value through the mix of available capital sources whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing and interest cover 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 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 programme or selling assets to reduce borrowings.

The Group has a target gearing of 30% to 35% of debt to debt plus equity. At 30 June 2011, gearing was 31.5% (2010: 32.0%) compared to Group's banking covenant of 40%.

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 90% to 100% of the asset value by foreign currency.

In June 2009, the Group acquired a new US$10 million loan facility to partially mitigate this risk. In December 2010, the Ardent Leisure Group loan facilities were refinanced and the US$ 10 million loan was repaid. This was replaced by a US$30 million loan facility held by the Trust. Additional US$ borrowings may be taken out in the future to reduce this exposure.

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 currency 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. Parent entity disclosures have been provided in accordance with AASB 7 Financial Instruments: Disclosures but are not meaningful as risk is not managed at this level.

*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 90% to 100% of overseas investments in this way.

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## 39 Capital and financial risk management (continued)

### c) Foreign Investment (continued)

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

| | Australian dollars | | New Zealand dollars | | US dollars | |
|---|---|---|---|---|---|---|
| Consolidated | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **Assets** | | | | | | |
| Cash and cash equivalents | 6,810 | 8,780 | 474 | 482 | 2,422 | 2,581 |
| Receivables and other current assets | 18,153 | 16,702 | 360 | 578 | 2,418 | 3,381 |
| Derivative financial instruments | 1,256 | 420 | — | — | — | — |
| Properties held for sale | 7,651 | 16,500 | — | — | — | — |
| Investment properties | 96,279 | 84,186 | — | — | — | — |
| Property, plant and equipment | 372,549 | 367,891 | 1,638 | 1,896 | 39,590 | 48,135 |
| Intangible assets | 94,229 | 88,492 | 2,991 | 3,156 | 36,896 | 46,995 |
| Other non-current assets | 4,894 | 5,369 | 29 | 36 | 798 | 1,399 |
| **Total assets** | **601,821** | **588,340** | **5,492** | **6,148** | **82,124** | **102,491** |
| **Liabilities** | | | | | | |
| Payables and other current liabilities | 59,432 | 53,375 | 502 | 856 | 3,560 | 5,071 |
| Derivative financial instruments | 1,421 | 2,046 | — | — | 1,813 | 5,809 |
| Interest bearing liabilities | 165,591 | 194,345 | — | — | 27,993 | 5,383 |
| Other non-current liabilities | 3,990 | 3,245 | — | — | 4,359 | 3,148 |
| **Total liabilities** | **230,434** | **253,011** | **502** | **856** | **37,725** | **19,411** |
| **Net assets** | **371,387** | **335,329** | **4,990** | **5,292** | **44,399** | **83,080** |
| Notional value of derivatives to hedge foreign exchange exposure | — | — | (4,919) | (5,189) | (2,696) | (5,815) |
| **Net exposure to foreign exchange movements** | **371,387** | **335,329** | **71** | **103** | **41,703** | **77,265** |

## 39 Capital and financial risk management (continued)

### c) Foreign Investment (continued)

| Parent | Australian dollars 2011 $'000 | Australian dollars 2010 $'000 | New Zealand dollars 2011 $'000 | New Zealand dollars 2010 $'000 | US dollars 2011 $'000 | US dollars 2010 $'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 104 | 75 | — | — | 1 | — |
| Receivables and other current assets | 4,748 | 139 | 11 | 10 | 207 | 280 |
| Derivative financial instruments | 1,256 | 420 | — | — | — | — |
| Properties held for sale | — | 16,500 | — | — | — | — |
| Investment properties | 326,950 | 312,192 | — | — | — | — |
| Property, plant and equipment | 103,102 | 97,969 | — | — | — | — |
| Interest bearing receivables | 78,587 | 74,948 | 1,675 | 1,640 | 58,457 | 73,867 |
| Intangible assets | 198 | 297 | — | — | — | — |
| Other non-current assets | 53,089 | 53,104 | — | — | — | — |
| **Total assets** | **568,034** | **555,644** | **1,686** | **1,650** | **58,665** | **74,147** |
| **Liabilities** | | | | | | |
| Payables and other current liabilities | 15,156 | 6,689 | — | — | 42 | 28 |
| Derivative financial instruments | 1,421 | 2,046 | — | — | 1,813 | 5,809 |
| Interest bearing liabilities | 165,563 | 194,284 | — | — | 27,993 | — |
| **Total liabilities** | **182,140** | **203,019** | **—** | **—** | **29,848** | **5,837** |
| **Net assets** | **385,894** | **352,625** | **1,686** | **1,650** | **28,817** | **68,310** |
| Notional value of derivatives to hedge foreign exchange exposure | — | — | (4,919) | (5,189) | (2,696) | (5,815) |
| **Net exposure to foreign exchange movements** | **385,894** | **352,625** | **(3,233)** | **(3,539)** | **26,121** | **62,495** |

The table below demonstrates the sensitivity 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 net potential increase.

| Consolidated | Profit movement 2011 $'000 | Profit movement 2010 $'000 | Core earnings movement 2011 $'000 | Core earnings movement 2010 $'000 | Total equity movement 2011 $'000 | Total equity movement 2010 $'000 |
|---|---|---|---|---|---|---|
| AUD:NZD – increase 10% | (6) | (9) | — | — | (6) | (9) |
| AUD:NZD – decrease 10% | 7 | 10 | — | — | 7 | 10 |
| AUD:USD – increase 10% | (3,791) | (7,024) | — | — | (3,791) | (7,024) |
| AUD:USD – decrease 10% | 4,170 | 7,727 | — | — | 4,170 | 7,727 |

| Parent | Profit movement 2011 $'000 | Profit movement 2010 $'000 | Core earnings movement 2011 $'000 | Core earnings movement 2010 $'000 | Total equity movement 2011 $'000 | Total equity movement 2010 $'000 |
|---|---|---|---|---|---|---|
| AUD:NZD – increase 10% | 294 | 322 | — | — | 294 | 322 |
| AUD:NZD – decrease 10% | (323) | (354) | — | — | (323) | (354) |
| AUD:USD – increase 10% | (2,375) | (5,681) | — | — | (2,375) | (5,681) |
| AUD:USD – decrease 10% | 2,612 | 6,250 | — | — | 2,612 | 6,250 |



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## 39 Capital and financial risk management (continued)

### c) Market 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.

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 balance date, the Group is approximately 40% to 50% hedged for the next eighteen months for US dollar core earnings at an average exchange rate of A$1.00 = US$0.7696 (2010: A$1.00 = US$0.7594). No hedging has been done over NZD income given the small level of NZD profits.

*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 predominantely 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 monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below. The table also demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant. A negative amount in the table reflects a potential net reduction in the profit, core earnings or equity, while a positive amount reflects a net potential increase.

| | Australian interest | | US interest | |
|---|---|---|---|---|
| Consolidated | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Fixed rates | | | | |
| Interest bearing liabilities | (28) | (61) | — | — |
| | **(28)** | **(61)** | **—** | **—** |
| Floating rates | | | | |
| Cash and cash equivalents | 7,284 | 9,262 | 2,422 | 2,581 |
| Interest bearing receivables | — | 606 | — | — |
| Interest bearing liabilities | (166,863) | (194,700) | (27,993) | (5,826) |
| | **(159,579)** | **(184,832)** | **(25,571)** | **(3,245)** |
| Interest rate swaps | 125,000 | 75,000 | — | 53,482 |
| **Net interest rate exposure** | **(34,579)** | **(109,832)** | **(25,571)** | **50,237** |

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

| | Australian interest | | US interest | |
|---|---|---|---|---|
| Parent | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Floating rates | | | | |
| Cash and cash equivalents | 105 | 75 | — | 12 |
| Interest bearing receivables | 80,262 | 76,589 | 58,457 | 73,867 |
| Interest bearing liabilities | (166,863) | (194,700) | (27,993) | — |
| | **(86,496)** | **(118,036)** | **30,464** | **73,867** |
| Interest rate swaps | 125,000 | 75,000 | — | 53,482 |
| **Net interest rate exposure** | **38,504** | **(43,036)** | **30,464** | **127,349** |

## 39 Capital and financial risk management (continued)

### c) Interest rate risk (continued)

Sensitivity

| Consolidated | Profit movement 2011 $'000 | Profit movement 2010 $'000 | Core earnings movement 2011 $'000 | Core earnings movement 2010 $'000 | Total equity movement 2011 $'000 | Total equity movement 2010 $'000 |
|---|---|---|---|---|---|---|
| 1% increase in USD rates | 407 | 2,278 | — | 728 | 407 | 1,549 |
| 1% decrease in USD rates | (407) | (2,278) | - | (728) | (407) | (1,549) |
| 1% increase in AUD rates | (376) | (1,175) | (346) | (1,098) | 1,519 | 1,296 |
| 1% decrease in AUD rates | 376 | 1,175 | 346 | 1,098 | (1,519) | (1,296) |

| Parent | Profit movement 2011 $'000 | Profit movement 2010 $'000 | Core earnings movement 2011 $'000 | Core earnings movement 2010 $'000 | Total equity movement 2011 $'000 | Total equity movement 2010 $'000 |
|---|---|---|---|---|---|---|
| 1% increase in USD rates | 286 | 1,283 | 275 | 1,237 | 407 | 1,549 |
| 1% decrease in USD rates | (286) | (1,283) | (275) | (1,237) | (407) | (1,549) |
| 1% increase in AUD rates | 355 | (507) | 385 | (430) | 1,519 | 1,296 |
| 1% decrease in AUD rates | (355) | 507 | (385) | 430 | (1,519) | (1,296) |

At balance date, the Group has fixed 64.2% (2010: 64.1%) of its net floating interest exposure.

### d) Liquidity risk

Liquidity risk arises if the Group has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash and marketable 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 fixed and floating rate financial liabilities and derivatives as at 30 June 2011. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the Balance Sheet. Repayments which are subject to notice are treated as if notice were given immediately.

| Consolidated | Book value 2011 $'000 | Less than 1 year 2011 $'000 | 1 to 2 years 2011 $'000 | 2 to 3 years 2011 $'000 | 3 to 4 years 2011 $'000 | 4 to 5 years 2011 $'000 | Over 5 years 2011 $'000 | Total 2011 $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 57,951 | 57,951 | — | — | — | — | — | 57,951 |
| Finance leases | 28 | 29 | — | — | — | — | — | 29 |
| Term debt | 193,556 | 11,562 | 11,562 | 184,125 | 16,905 | — | — | 224,154 |
| Interest rates swaps designated as hedges of the term debt | — | 661 | 2,197 | 682 | — | — | — | 3,540 |
| FX swaps – payable leg | — | 2,695 | 838 | — | — | — | — | 3,533 |
| **Total undiscounted financial liabilities** | **251,535** | **72,898** | **14,597** | **184,807** | **16,905** | — | — | **289,207** |

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## 39 Capital and financial risk management (continued)

### d) Liquidity risk (continued)

| Consolidated | Book value 2010 $'000 | Less than 1 year 2010 $'000 | 1 to 2 years 2010 $'000 | 2 to 3 years 2010 $'000 | 3 to 4 years 2010 $'000 | 4 to 5 years 2010 $'000 | Over 5 years 2010 $'000 | Total 2010 $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 53,202 | 53,202 | — | — | — | — | — | 53,202 |
| Finance leases | 61 | 16 | 49 | — | — | — | — | 65 |
| Term debt | 199,667 | 12,889 | 197,471 | 1,262 | 1,201 | 2,915 | — | 215,738 |
| Interest rates swaps designated as hedges of the term debt | — | 3,307 | 3,094 | 3,106 | 783 | — | — | 10,290 |
| FX swaps – payable leg | — | 2,736 | 2,366 | 1,067 | — | — | — | 6,169 |
| **Total undiscounted financial liabilities** | **252,930** | **72,150** | **202,980** | **5,435** | **1,984** | **2,915** | **—** | **285,464** |

| Parent | Book value 2011 $'000 | Less than 1 year 2011 $'000 | 1 to 2 years 2011 $'000 | 2 to 3 years 2011 $'000 | 3 to 4 years 2011 $'000 | 4 to 5 years 2011 $'000 | Over 5 years 2011 $'000 | Total 2011 $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 15,198 | 15,198 | — | — | — | — | — | 15,198 |
| Term debt | 193,556 | 11,562 | 11,562 | 184,125 | 16,905 | — | — | 224,154 |
| Interest rates swaps designated as hedges of the term debt | — | 661 | 2,197 | 682 | — | — | — | 3,540 |
| FX swaps – payable leg | — | 2,695 | 838 | — | — | — | — | 3,533 |
| **Total undiscounted financial liabilities** | **208,754** | **30,116** | **14,597** | **184,807** | **16,905** | **-** | **-** | **246,425** |

| Parent | Book value 2010 $'000 | Less than 1 year 2010 $'000 | 1 to 2 years 2010 $'000 | 2 to 3 years 2010 $'000 | 3 to 4 years 2010 $'000 | 4 to 5 years 2010 $'000 | Over 5 years 2010 $'000 | Total 2010 $'000 |
|---|---|---|---|---|---|---|---|---|
| Payables | 6,717 | 6,717 | — | — | — | — | — | 6,717 |
| Term debt | 194,284 | 12,889 | 196,148 | — | — | — | — | 209,037 |
| Interest rates swaps designated as hedges of the term debt | — | 3,307 | 3,094 | 3,106 | 783 | — | — | 10,290 |
| FX swaps – payable leg | — | 2,736 | 2,366 | 1,067 | — | — | — | 6,169 |
| **Total undiscounted financial liabilities** | **201,001** | **25,649** | **201,608** | **4,173** | **783** | **—** | **—** | **232,213** |

### e) Credit risk

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

The Group manages this risk by performing credit reviews of prospective debtors, obtaining collateral where appropriate and performing detailed reviews on any debtor arrears.

The Group is exposed to credit risk on financial instruments and derivatives. For credit purposes, 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.

The Group has policies to review the aggregate exposures of debtors 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.

## 39 Capital and financial risk management (continued)

### e) Credit risk (continued)

The table below details the concentration of credit exposure of the Group's assets to significant geographical locations:

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 9,706 | 11,843 | 105 | 75 |
| Receivables – Australasia | 7,426 | 1,669 | 4,640 | — |
| Receivables – US | 266 | 1,066 | — | — |
| Derivative financial instruments | 1,256 | 420 | 1,256 | 420 |
| Interest bearing receivables – Australasia | — | 606 | 62,130 | 73,867 |
| Interest bearing receivables – US | — | — | 76,589 | 76,589 |
| | **18,654** | **15,604** | **144,720** | **150,951** |

The interest bearing receivables held by the parent entity are loans to other entities in the Group. All cash, derivative financial instruments and interest bearing receivables are neither past due nor impaired.

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

| | Past due but not impaired | | | | Impaired | Total |
|---|---|---|---|---|---|---|
| | Less than 30 days $'000 | 31 to 60 days $'000 | 61 to 90 days $'000 | More than 90 days $'000 | $'000 | $'000 |
| **Consolidated 2011** | | | | | | |
| Receivables – Australasia | 197 | 211 | 97 | 302 | 197 | 1,004 |
| Receivables – US | — | — | — | — | — | — |
| | 197 | 211 | 97 | 302 | 197 | 1,004 |
| **Consolidated 2010** | | | | | | |
| Receivables – Australasia | 239 | 541 | 105 | 224 | 257 | 1,366 |
| Receivables – US | — | — | — | — | — | — |
| | 239 | 541 | 105 | 224 | 257 | 1,366 |
| **Parent 2011** | | | | | | |
| Receivables – Australasia | — | — | — | — | — | — |
| Receivables – US | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| **Parent 2010** | | | | | | |
| Receivables – Australasia | — | — | — | — | — | — |
| Receivables – US | — | — | — | — | — | — |
| | — | — | — | — | — | — |

Based on a review of receivables by management, a provision of $131,000 (2010: $150,000) has been provided against receivables with a gross balance of $197,000 (2010: $257,000).

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.

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## 39 Capital and financial risk management (continued)

### f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following tables present the Group's and the parent entity's assets and liabilities measured and recognised at fair value at 30 June 2011.

| Consolidated 2011 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | — | 1,256 | — | 1,256 |
| **Total assets** | **—** | **1,256** | **—** | **1,256** |
| Liabilities | | | | |
| Derivative financial instruments | — | 3,234 | — | 3,234 |
| **Total liabilities** | **—** | **3,234** | **—** | **3,234** |

| Parent 2011 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | — | 1,256 | — | 1,256 |
| **Total assets** | **—** | **1,256** | **—** | **1,256** |
| Liabilities | | | | |
| Derivative financial instruments | — | 3,234 | — | 3,234 |
| **Total liabilities** | **—** | **3,234** | **—** | **3,234** |

| Consolidated 2010 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | — | 420 | — | 420 |
| **Total assets** | **—** | **420** | **—** | **420** |
| Liabilities | | | | |
| Derivative financial instruments | — | 7,855 | — | 7,855 |
| **Total liabilities** | **—** | **7,855** | **—** | **7,855** |

| Parent 2010 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets | | | | |
| Derivative financial instruments | — | 420 | — | 420 |
| Total assets | — | 420 | — | 420 |
| Liabilities | | | | |
| Derivative financial instruments | — | 7,855 | — | 7,855 |
| Total liabilities | — | 7,855 | — | 7,855 |

All derivative financial instruments were valued based on valuations received from the counterparty at 30 June 2011. For financial instruments not held at fair value, the carrying value of these financial instruments approximates to their fair value.

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## 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 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Property, plant and equipment | | | | |
| Payable: | | | | |
| Within one year | 1,848 | 4,009 | — | — |
| | **1,848** | **4,009** | **—** | **—** |

### b) Lease commitments

The majority of the non-cancellable operating leases relate to property leases.

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Parent 2011 $'000 | Parent 2010 $'000 |
|---|---|---|---|---|
| Within one year | 40,624 | 38,533 | 18,293 | 17,761 |
| Later than one year but not later than five years | 145,505 | 137,237 | 66,936 | 66,096 |
| Later than five years | 148,930 | 159,366 | 61,621 | 65,741 |
| | **335,059** | **335,136** | **146,850** | **149,598** |
| Representing: | | | | |
| Cancellable operating leases | 441 | 48 | — | — |
| Non-cancellable operating leases | 334,589 | 335,023 | 146,850 | 149,598 |
| Finance leases | 29 | 65 | — | — |
| | **335,059** | **335,136** | **146,850** | **149,598** |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | 29 | 15 | — | — |
| Later than one year but not later than five years | — | 50 | — | — |
| Minimum lease payments | 29 | 65 | — | — |
| Less: Future finance charges | (1) | (4) | — | — |
| **Total lease liabilities** | **28** | **61** | **—** | **—** |
| Representing lease liabilities: | | | | |
| Current | 28 | 15 | — | — |
| Non-current | — | 46 | — | — |
| | **28** | **61** | **—** | **—** |

The Group leases various plant and equipment with a carrying value of $33,000 (2010: $62,000) under finance leases which expire within one to five years. The weighted average interest rate implicit in the leases is 8.00% per annum (2010: 8.29% per annum).

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## 42 Deed of cross guarantee

In 2006, ALL, Bowling Centres Australia Pty Limited, BowlAustralia 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, ALL, 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 entered into the deed of cross guarantee under which each company guarantees the debts of the others.

By entering into the deeds, Bowling Centres Australia Pty Limited, Ardent Leisure Health Clubs 1 Pty Limited and Ardent Boat Share Finance Limited 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, Ardent Boat Share Pty Limited and Ardent Boat Share Finance Limited represent a 'Closed Group' for the purposes of the Class Order.

Tidebelt Pty Limited, BowlAustralia Holdings Pty Limited and Bowling Centres Australia Catering Services Pty Limited are also wholly owned subsidiaries of ALL and are party to the deed of cross guarantee and therefore represent the 'Extended Closed Group'.

Set out below is a consolidated Income Statement for the year ended 30 June 2011 of the Closed Group:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Revenue from operating activities | 307,607 | 279,878 |
| Purchases of finished goods | (31,211) | (29,441) |
| Salary and employee benefits | (119,307) | (107,455) |
| Borrowing costs | (90,402) | (7,089) |
| Property expenses | (14,638) | (81,014) |
| Advertising and promotions | (13,051) | (14,492) |
| Repairs and maintenance | (8,495) | (12,581) |
| Pre-opening expenses | (7,553) | (483) |
| Depreciation and amortisation | (453) | (6,447) |
| Impairment of goodwill | (697) | — |
| Other expenses | (28,277) | (27,278) |
| **Loss before tax benefit** | **(6,477)** | **(6,402)** |
| Income tax benefit | 1,864 | 2,704 |
| **Loss** | **(4,613)** | **(3,698)** |

### b) Consolidated Comprehensive Income Statement

Set out below is a consolidated Comprehensive Income Statement for the year ended 30 June 2011 of the Closed Group:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Loss | (4,613) | (3,698) |
| Other comprehensive income for the period | — | — |
| **Total comprehensive income for the period** | **(4,613)** | **(3,698)** |

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## 42 Deed of cross guarantee (continued)

### c) Consolidated Statement of Financial Position

Set out below is a consolidated Balance Sheet as at 30 June 2011 of the Closed Group:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 6,182 | 8,110 |
| Receivables | 8,749 | 4,825 |
| Inventories | 6,417 | 6,714 |
| Current tax receivables | 359 | 1,397 |
| Other | 3,997 | 4,047 |
| **Total current assets** | **25,704** | **25,093** |
| **Non-current assets** | | |
| Receivables | — | 606 |
| Property, plant and equipment | 14,435 | 13,499 |
| Livestock | 424 | 430 |
| Intangible assets | 75,147 | 69,312 |
| Deferred tax assets | 4,459 | 4,286 |
| Investment in controlled entities | 49,730 | 50,121 |
| **Total non-current assets** | **144,195** | **138,254** |
| **Total assets** | **169,899** | **163,347** |
| **Current liabilities** | | |
| Payables | 38,036 | 34,693 |
| Interest bearing liabilities | 15 | 15 |
| Provisions | 3,812 | 3,899 |
| Other | 1,360 | 1,283 |
| **Total current liabilities** | **43,223** | **39,890** |
| **Non-current liabilities** | | |
| Interest bearing liabilities | 120,484 | 114,014 |
| Provisions | 1,358 | 854 |
| Deferred tax liabilities | 2,435 | 2,226 |
| **Total non-current liabilities** | **124,277** | **117,094** |
| **Total liabilities** | **167,500** | **156,984** |
| **Net assets** | **2,399** | **6,363** |
| **Equity** | | |
| Contributed equity | 10,567 | 9,918 |
| Reserves | (2,310) | (2,310) |
| Accumulated losses | (5,858) | (1,245) |
| **Total equity** | **2,399** | **6,363** |

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### 42 Deed of cross guarantee (continued)

d) Consolidated Statement of Changes in Equity

Set out below is a consolidated Statement of Changes in Equity as at 30 June 2011 of the Closed Group:

| | Share Capital $'000 | Reserves Profits $'000 | Retained $'000 | Total $'000 |
|---|---|---|---|---|
| Total equity at 1 July 2009 | 2,679 | (2,310) | 9,268 | 9,637 |
| Total comprehensive income | — | — | (3,698) | (3,698) |
| Contributions of equity, net of issue costs | 7,239 | — | — | 7,239 |
| Change in accumulated losses due to new entities under the deed of cross guarantee | — | — | (6,815) | (6,815) |
| Total equity at 30 June 2010 | 9,918 | (2,310) | (1,245) | 6,363 |
| Total comprehensive income | — | — | (4,613) | (4,613) |
| Contributions of equity, net of issue costs | 649 | — | — | 649 |
| **Total equity at 30 June 2011** | **10,567** | **(2,310)** | **(5,858)** | **2,399** |

### 43 Events occurring after reporting date

Subsequent to year end, a distribution of 5.0 cents per stapled security has been declared by the Board of Directors. The total distribution amount of $15.9 million will be paid on or before 31 August 2011 in respect of the half year ended 30 June 2011.

Since the end of the financial year, the Directors of the Manager and ALL are not aware of any other matter or circumstance not otherwise dealt with in financial report or the Directors' report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the year ended 30 June 2011.

# 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 set out on pages 46 to 119 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 Group's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations, its changes in equity and its cash flows, for the financial year ended on that date;

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board; and

d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 42 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee as described in Note 42.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

**Neil Balnaves, AO**
Director

Sydney
17 August 2011

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# Independence Auditor's Report
to the members of Ardent Leisure Group

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## Report on the financial report

We have audited the accompanying financial report of Ardent Leisure Trust (The trust), which comprises the balance sheet as at 30 June 2011, and the income statement, 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 both Ardent Leisure Trust and the Ardent Leisure Group (the consolidated entity). The consolidated entity comprises the trust and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the Ardent Leisure Management Limited, as the responsible entity for the trust, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**Independence Auditor's Report**
to the members of Ardent Leisure Group

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## Independence

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

## Auditor's opinion

In our opinion:

a) the financial report of Ardent Leisure Trust is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the trust's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the consolidated 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 26 to 42 of the directors' report for the year ended 30 June 2011. The directors of Ardent Leisure Management Limited 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 Accounting Standards.

## Auditor's opinion

In our opinion, the remuneration report of Ardent Leisure Trust for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Brett Delaney
Partner

Brisbane
17 August 2011

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# Investors Analysis

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## Top 20 Securityholders as at 31 August 2011

| | Top 20 Securityholders as at 31 August 2011 | No. of Securities | % |
|---|---|---|---|
| 1 | National Nominees Limited | 59,876,118 | 18.47 |
| 2 | JP Morgan Nominees Australia Limited | 44,134,793 | 13.61 |
| 3 | HSBC Custody Nominees (Australia) Limited | 24,325,384 | 7.50 |
| 4 | Citicorp Nominees Pty Limited | 16,350,112 | 5.04 |
| 5 | AMP Life Limited | 12,654,954 | 3.90 |
| 6 | Citicorp Nominees Pty Limited | 10,891,023 | 3.36 |
| 7 | Cogent Nominees Pty Limited | 10,442,781 | 3.22 |
| 8 | Cogent Nominees Pty Limited | 7,089,354 | 2.19 |
| 9 | Ragusa Pty Limited | 4,311,411 | 1.33 |
| 10 | Ragusa Pty Limited | 3,792,858 | 1.17 |
| 11 | JP Morgan Nominees Australia Limited | 3,485,536 | 1.08 |
| 12 | RBC Dexia Investor Services Australia Nominees Pty Limited | 3,038,959 | 0.94 |
| 13 | 3rd Wave Investors Limited | 2,515,937 | 0.78 |
| 14 | RBC Dexia Investor Services Australia Nominees Pty Limited | 2,312,565 | 0.71 |
| 15 | Citicorp Nominees Pty Limited | 2,303,795 | 0.71 |
| 16 | 3rd Wave Investors Limited | 1,500,000 | 0.46 |
| 17 | RBC Dexia Investor Services Australia Nominees Pty Limited | 1,400,668 | 0.43 |
| 18 | Ragusa Pty Limited | 1,313,580 | 0.41 |
| 19 | Queensland Investment Corporation | 1,075,494 | 0.33 |
| 20 | Tendword Pty Limited | 1,030,521 | 0.32 |
| **Total** | | **213,845,843** | **65.97** |
| Balance of Register | | 110,321,378 | 34.03 |
| **Grand Total** | | **324,167,221** | **100.00** |

## Range Report as at 31 August 2011

| Range | No. of Securities | % | No. of Holders | % |
|---|---|---|---|---|
| 100,001 and over | 238,175,259 | 73.47 | 132 | 1.55 |
| 10,001 to 100,000 | 66,090,487 | 20.39 | 2,612 | 30.64 |
| 5,001 to 10,000 | 12,458,696 | 3.84 | 1,644 | 19.28 |
| 1,001 to 5,000 | 6,637,937 | 2.05 | 2,298 | 26.95 |
| 1 to 1,000 | 804,842 | 0.25 | 1,840 | 21.58 |
| **Total** | **324,167,221** | **100.00** | **8,526** | **100.00** |

The total number of investors with an unmarketable parcel of 442 securities as at 31 August 2011 was 964.

## Voting Rights

On a poll each investor has, in relation to resolutions of the Trust, one vote for each dollar of the 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 Holder Notices received as at 31 August 2011

| Investor | No. of Securities | % |
|---|---|---|
| AMP Limited | 34,675,343 | 10.90 |
| Commonwealth Bank of Australia | 27,448,954 | 8.88 |
| Eley Griffiths Group Pty Limited | 20,893,197 | 6.57 |
| Acorn Capital Limited | 16,281,471 | 5.20 |
| Renaissance Property Securities Pty Limited | 15,966,895 | 5.01 |
| Blackrock Investment Management (Australia) Limited | 15,227,808 | 5.00 |

# Distribution History

| Period ended | New issue price | Distribution | Taxable amount | | Tax deferred amount | | Tax free amount | | DRP issue price | Period end unit price |
|---|---|---|---|---|---|---|---|---|---|---|
| History | $ | Cents/unit | Cents/unit | % | Cents/unit | % | Cents/unit | % | $ | $ |
| **Ardent Leisure Trust** | | | | | | | | | | |
| 6-Jul-98 | 1.00 [1] | — | — | — | — | — | — | — | — | — |
| 31-Dec-98 | | 4.70 | 1.58860 | 33.80 | 2.69451 | 57.33 | 0.41689 | 8.87 | — | 0.82 |
| 30-Jun-99 | | 5.70 | 2.53080 | 44.40 | 2.73201 | 47.93 | 0.43719 | 7.67 | 0.7976 | 0.81 |
| 31-Dec-99 | | 4.93 | 1.65697 | 33.61 | 2.83771 | 57.56 | 0.43532 | 8.83 | 0.8034 | 0.82 |
| 13-Jan-00 | 0.81 | | | | | | | | | |
| 30-Jun-00 | | 5.57 | 0.26625 | 4.78 | 4.91218 | 88.19 | 0.39157 | 7.03 | 0.7858 | 0.81 |
| 31-Dec-00 | | 3.30 | 1.53320 | 46.46 | 1.44050 | 43.65 | 0.32640 | 9.89 | 0.7078 | 0.74 |
| 30-Jun-01 | | 3.70 | 1.90106 | 51.38 | 1.79894 | 48.62 | [3] | [3] | 0.5070 | 0.52 |
| 31-Dec-01 | | 3.30 | 1.51110 | 45.79 | 1.78890 | 54.21 | [3] | [3] | 0.6415 | 0.67 |
| 30-Jun-02 | | 3.70 | 1.05339 | 28.47 | 2.64661 | 71.53 | [3] | [3] | 0.6454 | 0.67 |
| 31-Dec-02 | | 3.50 | 1.47665 | 42.19 | 2.02335 | 57.81 | [3] | [3] | 0.7000 | 0.70 |
| 30-Jun-03 | | 4.00 | 1.49729 | 37.43 | 2.50271 | 62.57 | [3] | [3] | 0.7820 | 0.78 |
| **Ardent Leisure Group [4]** | | | | | | | CGT concession | | | |
| 31-Dec-04 | | 5.20 | | | | | | | 1.6894 | 1.74 |
| 30-Jun-05 | | 6.60 | | | | | | | 1.8481 | 1.97 |
| **Year to 30 Jun 05** | | **11.80** | **10.40958** | **88.22** | **1.39042** | **11.78** | **—** | **—** | | |
| 31-Dec-05 | | 7.00 | | | | | | | 2.3050 | 2.48 |
| 30-Jun-06 | | 7.50 | | | | | | | 2.4021 | 2.50 |
| **Year to 30 Jun 06** | | **14.50** | **9.48186** | **65.40** | **5.01814** | **34.60** | **—** | **—** | | |
| 31-Dec-06 | | 8.00 | | | | | | | 2.9213 | 2.98 |
| 30-Jun-07 | | 9.10 | | | | | | | 3.1894 | 3.30 |
| **Year to 30 Jun 07** | | **17.10** | **13.19952** | **77.19** | **3.50226** | **20.48** | **0.39822** | **2.33** | | |
| 31-Dec-07 | | 9.60 | | | | | | | 3.4168 | 3.49 |
| 30-Jun-08 | | 10.00 | | | | | | | 1.5235 | 1.49 |
| **Year to 30 Jun 08** | | **19.60** | **16.72845** | **85.35** | **2.09711** | **10.70** | **0.77444** | **3.95** | | |
| 31-Dec-08 | | 6.50 | | | | | | | 0.9727 | 0.90 |
| 30-Jun-09 | | 7.80 | | | | | | | 1.4048 | 1.415 |
| **Year to 30 Jun 09** | | **14.30** | **8.19817** | **57.33** | **3.74274** | **26.24** | **2.34909** | **16.43** | | |
| 31-Dec-09 | | 6.50 | | | | | | | 1.6826 | 1.705 |
| 30-Jun-10 | | 4.25 | | | | | | | 0.9915 | 0.990 |
| **Year to 30 Jun 10** | | **10.75** | **8.07288** | **75.00** | **1.29887** | **12.18** | **1.37825** | **12.82** | | |
| 31-Dec-09 | | 6.50 | | | | | | | 0.9872 | 1.0150 |
| 30-Jun-11 | | 5.00 | | | | | | | 1.2496 | 1.275 |
| **Year to 30 Jun 11** | | **11.50** | **7.31867** | **63.64** | **4.18133** | **36.36** | **—** | **—** | | |

[1] Initial public offer of units in Ardent Leisure Trust of $1.00 each
[2] 1 for 5 Renounceable Rights Issue of units at $0.81 each
[3] Tax free amounts are now treated as tax deferred
[4] Trust was restructured effective 1 July 2003 to form a stapled entity consisting of Macquarie Leisure Trust and Macquarie Leisure Operations Limited

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Information relating to Ardent Leisure can be found at www.ardentleisure.com

The website is a useful source of information about the Group and its business and property portfolio. The site contains a variety of investor information, including presentations, webcasts, newsletters, half year updates, annual reports, distribution history and timetable, security price information and announcements 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, receive an investor benefits card that provides the following privileges:

**Dreamworld/WhiteWater World**
50% discount off all full price 1 Day entry admission tickets, plus a 10% discount on merchandise, food and beverages for the investor and up to three companions

**SkyPoint**
50% discount per visit off the standard entry for the investor plus up to three companions

**d'Albora Marinas**
Free subscription to d'Albora's Docklines magazine

**AMF Bowling**
Discounted rate of $7.95 per bowling game and shoe hire for the investor plus up to three companions

**Kingpin Bowling**
Discounted rate of $9.00 per bowling game and shoe hire for the investor plus up to three companions

**Goodlife Health Clubs**
No joining fee for the investor plus a 20% discount off the standard membership rate

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 2010/2011 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 2011 was $1.2496 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 2 8280 7604 (outside Australia)

**Facsimile**
+61 2 9287 0303

**Website**
www.linkmarketservices.com.au

**Email**
registrars@linkmarketservices.com.au

### Manager

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

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

**Email**
Investor.relations@ardentleisure.com

### Investor complaints

If you have a complaint, please contact us so that we can assist

### Ardent Leisure Group

Level 16, 61 Lavender Street
Milsons Point NSW 2061

**Email**
investor.relations@ardentleisure.com

**Telephone**
1800 ARDENT (within Australia)

**Facsimile**
+61 2 9409 3679

### 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 the Financial Ombudsman Service (FOS) Limited. 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**
1300 780 808 (within Australia)

**Facsimile**
+61 3 9613 6399

# Corporate Directory

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**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
Anne Keating
Greg Shaw
George Venardos

**Managing Director and Chief Executive Officer**
Greg Shaw

**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**

**The Trust Company Limited**
Level 15, 20 Bond Street
Sydney NSW 2000

**Auditor of the Group**

**PricewaterhouseCoopers**
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

**Security registry**

**Link Market Services Limited**
Locked Bag A14
Sydney South NSW 1235

Level 12
680 George Street
Sydney NSW 2000

**Telephone**
1300 720 560 (within Australia)
+612 8280 7134 (outside Australia)

**Email**
registrars@linkmarketservices.com.au

**Website**
www.linkmarketservices.com.au

To arrange changes of address, or changes in registration of stapled securities, please contact the registry at the address or number listed above.

**Disclaimer**

This is the annual report for the Ardent Leisure Group (the Group), a stapled entity comprising units in the Ardent Leisure Trust ARSN 093 193 438 (Trust) and shares in Ardent Leisure Limited ABN 22 104 529 106 (Company).

This information has been prepared by Ardent Leisure Management Limited ABN 36 079 638 676 (Manager), a wholly owned subsidiary of the Company and the responsible entity of the Trust for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. Before investing, you should consider your own objectives, financial situation or needs or you should obtain financial, legal and/or taxation advice.

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of the Group. Actual results may vary from any forecasts and any variation may be materially positive or negative.

Investments in the Group are not deposits with or liabilities of the Company, the Manager or any other Group entity and are subject to investment risk including possible delays in repayment and loss of income and principal invested. None of the Company, the Manager nor any other Group entity guarantees the performance of the Group or the repayment of capital from the Group, or any particular rate of return.

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